

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name Mecosta County	County Mecosta
Audit Date December 31, 2004	Opinion Date April 6, 2005	Date Accountant Report Submitted to State: June 2, 2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Anderson Tackman & Company PLLC			
Street Address 16978 S. Riley Avenue	City Kincheloe	State MI	ZIP 49788
Accountant Signature Anderson Tackman & Co PLLC			

COUNTY OF MECOSTA, MICHIGAN

BASIC FINANCIAL STATEMENTS

December 31, 2004

MECOSTA COUNTY, MICHIGAN

ORGANIZATION

COUNTY BOARD OF COMMISSIONERS

JOHN E. TODD
Chairperson

CHARLES LUTERAN
Vice Chairperson

RAYMOND STEINKE

WAYNE O'NEIL

WILLIAM ROUTLEY

JERRILYNN STRONG

NORMAN TURNER

COUNTY OFFICIALS

RUTH L. HESS
Clerk

PAUL E. BULLOCK
Controller/Administrator

SHIRLEY I. JOHNSON
Treasurer

JULIA E. TETSWORTH
Finance Officer

PETER M. JAKLEVIC
Prosecuting Attorney

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
Of the Board of Commissioners
County of Mecosta
400 Elm Street
Big Rapids, Michigan 49307

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecosta, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Mecosta County Road Commission, which represent 99% and 99% of the assets and revenues of the Discretely Presented Component Units, the Mecosta – Osceola County Area Transit and the Mecosta County Park Commission, which represent 33% and 73% of the assets and revenues of the Proprietary Fund Type. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts recorded for the Road Commission, Area Transit, and the Park Commission, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecosta, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2005, on our consideration of the County of Mecosta, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mecosta, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is not a required part of the basic financial statements of the County of Mecosta, Michigan. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

April 6, 2005

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The government-wide statements (Statement of Net Assets and Statement of Activities) provide information about the activities of the County, as a whole, using methods similar to those used by private-sector companies. The Statement of Net Assets includes ALL of the government's assets and liabilities. The Statement of Activities includes ALL of the current year's revenues and expenses regardless of when cash is received or paid. These two government-wide statements present a long-term view of the County's finances.

The difference between the County's assets and liabilities is one way to measure the County's financial position. Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating. In addition, non-financial factors need to be considered (such as a change in the property tax base) to assess the overall position of the County.

Fund financial statements tell how the services provided by the County were financed, in the short-term, as well as what remains for future spending. Fund financial statements focus on individual areas of the County and report the County's operations, in more detail, than the government-wide financial statements.

Government-wide Statements:

The government-wide financial statements of the County are divided into three categories:

Governmental activities – Most of the County's basic services are included here, such as public safety, health/welfare, public works, and general administration. Property taxes and grants (both state and federal) finance most of these activities.

Business-type activities – The County charges fees to customers to help cover the costs of certain services it provides. For example, fees are charged for the collection of delinquent taxes, transportation, and recreation.

Component units – The County includes components units in its report, such as the Mecosta County Road Commission, Drain Commission, Revolving Drain Fund, etc. Although legally separate, these "component units" are important because the County is financially accountable for them.

Fund Financial Statements:

The fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are the accounting devices that the County uses to keep track of specific sources of revenue and spending for a particular purpose. Some funds are required by law and others are established by the Board of Commissioners to control and manage money for particular purposes (jail renovation, land improvement, etc.) or to show that grants and certain special taxes are being properly recorded. The fund statements provide a more detailed, short-term view.

The County has three types of funds:

Governmental funds – Most of the County's basic services are included in governmental funds. These funds help to show how cash flows in and out and the balances at year-end that are available for spending.

Proprietary funds – The service fees the County charges customers are generally reported in the proprietary funds. The County uses internal service funds to report activities that provide supplies and services for the County's other programs and activities, such as the County's Central Stores fund and Mail fund.

Fiduciary funds –The County is the trustee, or fiduciary for assets that, because of a trust arrangement, can be used only for the trust beneficiaries. Fiduciary funds are established by the County in order to ensure that assets reported in these funds are used for their intended purpose. We exclude these from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

The County as a Whole

Prior to 2003, the County received revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, amended 1998 and revenue sharing payments were distributed in accordance with the 1998 amendment. However, 2003 brought a slowed economy. As a result, revenue sharing, to virtually all County and local governments in the State including Mecosta County, were reduced by Executive Order of the Governor.

In 2004, Public Act 357 of 2004 was enacted. This Act provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund, the Revenue Sharing Reserve Fund. The shift of property tax collection and the creation of the restricted Revenue Sharing Reserve Fund are based on county operating millages only – not special millages. Annually, Mecosta County may make use of the Revenue Sharing Reserve Fund in amounts equal to its October 1, 2003 through September 30, 2004 Revenue Sharing payments adjusted for inflation. The inflation rate is defined by MCL 211.34d(1)(1).

In spite of the reduction in revenue sharing payments, Mecosta County fared well again in 2004 due to several factors. Again this year, the most significant were: a strong real estate market, both new construction and resale of property enabled the taxable value of the County to increase by 6.75% between 2003 and 2004. Since the County levies a millage for operations, this increase in taxable value increased revenues proportionally; State Equalized Value (a number reflecting 50% of the true cash value of property) increased 8.60% during the year; increases in fees for building permits, recording of deeds and vital records; a change in the investment portfolio; an increase in court cases which significantly increased fines and costs; and finally, an increase in revenues due to new legislation pertaining to concealed weapons.

As stated, previously, one way to measure the County's financial status is to review the net assets against liabilities. If we look at the governmental activities separately from the business-type activities, we can see from Table 1, the County's total net assets in governmental activities amounts to approximately 43.26 percent over the County's current and long-term liabilities for governmental activities. The business-type activities essentially have no long-term liabilities and short-term debt is not excessive, as shown below.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations. In a condensed format, Table 1 shows the net assets as of December 31, 2004. The current level of unrestricted net assets for our governmental activities stands at \$4,100,947 (see Table 1) or almost 20.18 % of expenditures. This is within the County's normal range established by the Mecosta County Board of Commissioners during its budget process.

The County's combined net assets decreased in 2004. This is the result of the Mecosta County Medical Center renovation bonding issue for \$11,140,000. Per generally accepted accounting principles, the County must record all debt, but can only recognize the accrued revenue annually. Had it not been for the inclusion of the entire debt for the Mecosta County Medical Center renovation being recognized immediately, the net assets of the County would have shown an increase by approximately 40%. The Medical Center bonds are Unlimited Tax General Obligation bonds. The recently approved millage permits Mecosta County to levy whatever percentage is needed for debt service related to these bonds. In a condensed format, the table below shows the net assets of Mecosta County.

In a condensed format, the table below shows the net assets of Mecosta County.

**Net Assets
For the Years Ended December 31, 2003 and December 31, 2004
Table 1**

	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
Current Assets	\$ 23,884,432	\$ 14,549,006	\$ 5,806,600	\$ 5,529,356	\$ 29,691,032	\$ 20,078,362
Capital Assets	6,996,892	7,107,493	1,530,460	1,631,510	8,527,352	8,739,003
Total Assets	30,881,324	21,656,499	7,337,060	7,160,866	38,218,384	28,817,365
Long-term Debt Outstanding	13,243,371	1,850,000	-	-	13,243,371	1,850,000
Other Liabilities	8,917,871	7,997,898	280,624	227,551	9,198,495	8,225,449
Total Liabilities	22,161,242	9,847,898	280,624	227,551	22,441,866	10,075,449
Net Assets						
Invested in Capital Assets net of related debt	4,619,135	5,182,493	1,530,460	1,631,510	6,149,595	6,814,003
Unrestricted (Deficit)	4,100,947	6,626,108	5,525,976	5,301,805	9,626,923	11,927,913
Total Net Assets	\$ 8,720,082	\$ 11,808,601	\$ 7,056,436	\$ 6,933,315	\$ 15,776,518	\$ 18,741,916

The following table shows the changes in net assets as of the current date.

Changes in Net Assets
For the Years Ended December 31, 2003 and December 31, 2004
Table 2

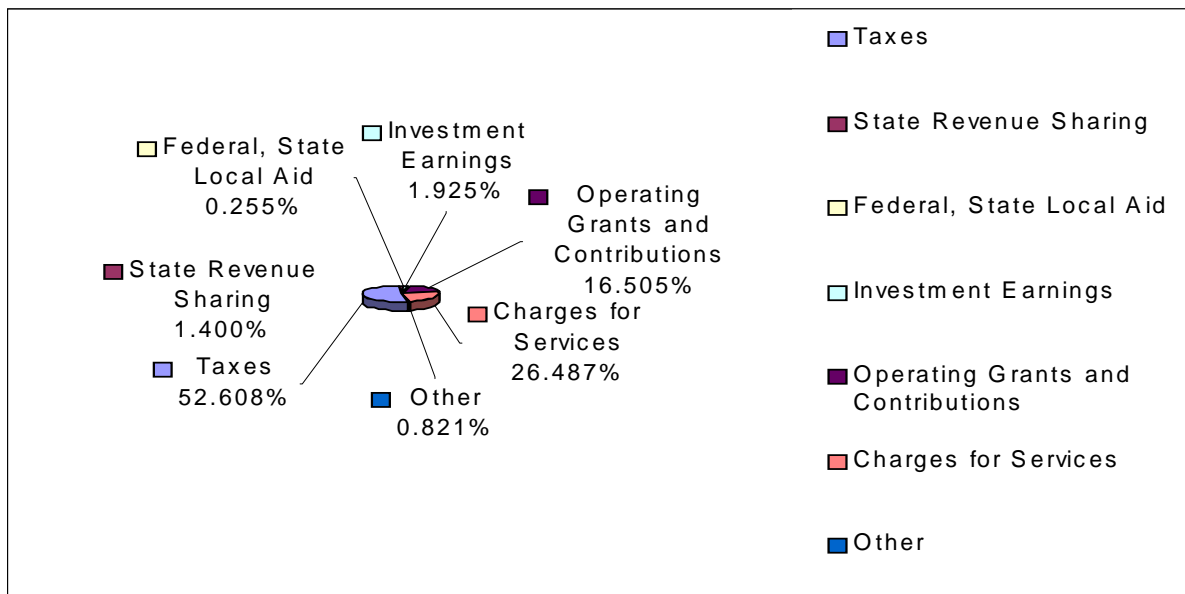
	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
Program Revenues						
Charges for Services	\$ 4,564,941	\$ 4,117,420	\$ 1,511,307	\$ 1,485,707	\$ 6,076,248	\$ 5,603,127
Operating Grants and Contributions	2,844,664	2,515,455	444,282	478,958	3,288,946	2,994,413
Capital Grants and Contributions	-	25,343	31,164	52,696	31,164	78,039
General Revenues						
Property Taxes	9,066,935	7,220,223	-	-	9,066,935	7,220,223
State-Shared Revenues	241,316	661,377	-	-	241,316	661,377
Unrestricted Investments Earnings	331,795	231,213	9,426	21,909	341,221	253,122
Transfers and Other Revenues	141,451	496,222	(141,451)	(496,221)	-	1
Federal, State, & Local-General	43,864	280,556	66,237	4,224	110,101	284,780
Total Program Revenues	17,234,966	15,547,809	1,920,965	1,547,273	19,155,931	17,095,082
Program Expenses						
Legislative	322,580	432,294	-	-	322,580	432,294
Judicial	1,431,037	2,030,739	-	-	1,431,037	2,030,739
General Government	2,016,795	2,178,913	-	-	2,016,795	2,178,913
Public Safety	3,356,767	3,964,849	-	-	3,356,767	3,964,849
Health & Welfare	4,774,654	3,959,489	-	-	4,774,654	3,959,489
Community/Economic Development	79,317	-	-	-	79,317	-
Interest Expense-Unallocated	475,047	88,841	-	-	475,047	88,841
Other Expenses	7,867,288	1,106,292	-	-	7,867,288	1,106,292
Depreciation-Unallocated	-	108,372	-	-	-	108,372
MOCAT	-	-	885,740	928,948	885,740	928,948
Parks	-	-	894,126	854,987	894,126	854,987
Tax Collection	-	-	15,729	40,771	15,729	40,771
Other	-	-	2,248	2,118	2,248	2,118
Total Program Expenses	20,323,485	13,869,789	1,797,843	1,826,824	22,121,328	15,696,613
Change in Net Assets	\$ (3,088,519)	\$ 1,678,020	\$ 123,122	\$ (279,551)	\$ (2,965,397)	\$ 1,398,469

NOTE: The (\$3,088,519) change in net assets is a direct result of the Mecosta County Medical Center renovation. Per the Generally Accepted Accounting Principles, The County must record all debt, but can only recognize the accrued revenue annually. The Medical Center bonds are Unlimited Tax General Obligation bonds. The recently approved millage permits Mecosta County to levy whatever percentage is needed for debt service related to these bonds.

Governmental Activities

The County's total governmental revenues totaled \$17,234,966, an increase of \$1,687,157 from the previous year. These revenues are composed of taxes, state revenue sharing, federal, state and local aid, federal and state operating grants, investment earnings, fees for service, and transfers. Well over half of the County's revenue comes from property taxes. The remainder comes from other sources (See Pie Chart A).

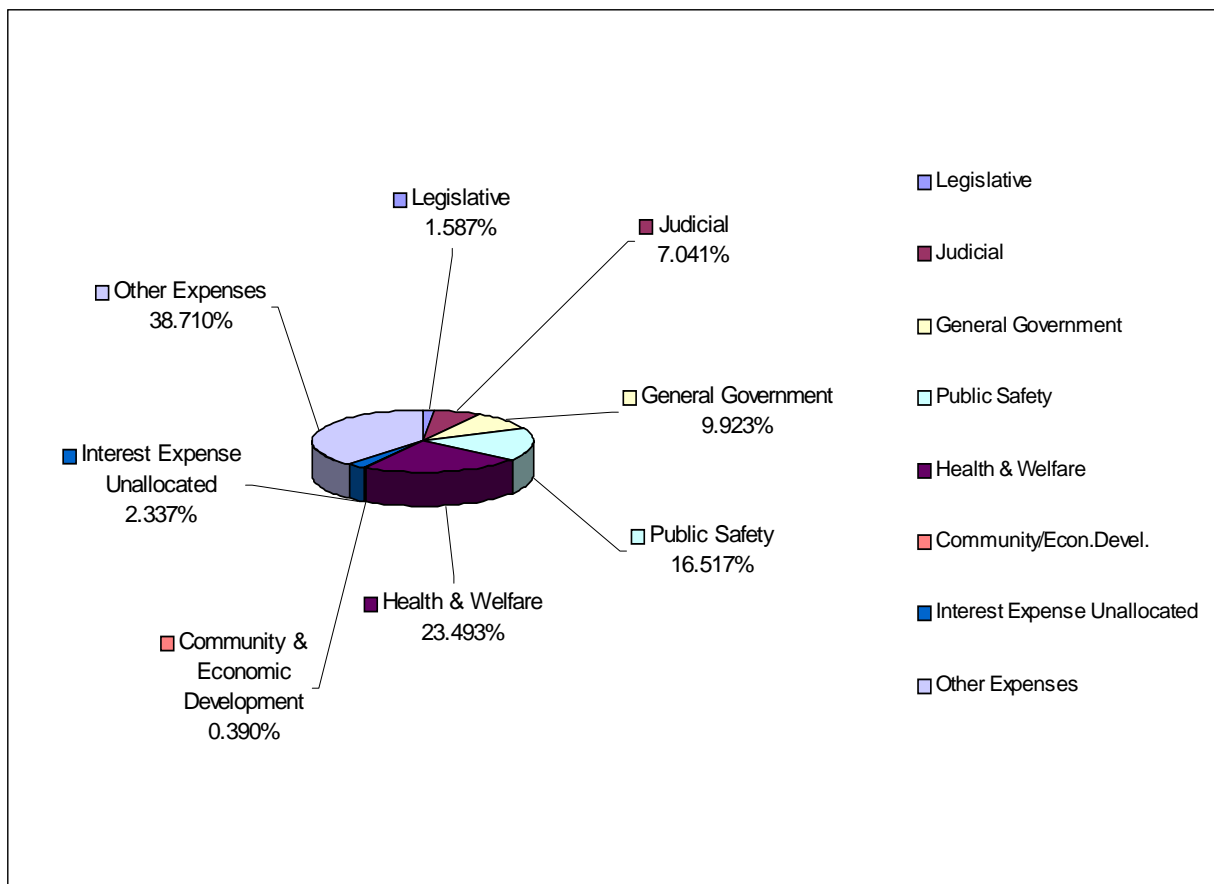
Governmental Activities Revenues
Chart A



Expenses totaled \$20,323,485 for the year, an increase of \$6,453,696 from last year which resulted in a net change in assets of (\$3,088,519) (see Pie Chart B). This excess of expenditures over revenues was the direct result of the Mecosta County Medical Center emergency and operating room (ER/OR) renovation. Pursuant to the provisions of Act 118, Public Acts of Michigan, 1923, as amended, the qualified electors of the County of Mecosta voted favorably to authorize the issuance of Bonds in the principal amount of \$11,140,000 for the purpose of defraying the cost of renovating, expanding and equipping the Medical Center. Under full accrual, bond proceeds are eliminated in the revenue section and recorded as a liability. Throughout the term of the bond issuance, as proceeds are paid, the liability will decrease. The payment of principal and interest is paid from ad valorem taxes levied on all taxable property in the County. The recently approved millage permits Mecosta County to levy whatever percentage is needed for debt service related to these bonds.

Governmental Activities Expenses

Chart B



During the year, the County continued to review its investments and make changes as needed to guarantee higher rates of return.

Business-Type Activities

The County's only significant business-type activity consists of the Delinquent Tax Fund. Any increases in the business-type activities are a result of an increase in the amount of delinquent tax collections over the prior year.

The Mecosta County Parks and the Mecosta/Osceola County Area Transit are audited separately. Information pertaining to these two entities can be found in their individual audits.

The County's Funds

Our analysis of the County's major funds begins on page 14, following the entity-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners create funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2004 include the General Fund, the Emergency Services Fund, the Hospital Renovation Fund and the Revenue Sharing fund.

The General Fund pays for most of the County's governmental services. The major funds within the General Fund include Public Safety (Sheriff Services), District and Circuit Courts, Building/Grounds, Prosecutor's Office and Board of Commissioners (administrative services). The services provided by these general funds are supported by voted millages, grants, and charges for services. The most significant, providing public safety, is the Sheriff Department, expending approximately 30% of the General Fund budget. This fund provides road patrol, law enforcement, investigative services, emergency management, and facilities for prisoners (including federal prisoners). It receives partial revenue from voted millages, federal and state grants, charges for services, and also generates revenue by housing federal prisoners.

The Emergency Medical Services Fund (EMS) provides funding for ambulance and medical services to the county. The majority of revenues are generated from special voted millages and ambulance fee collections. Clearly, the largest expense for the EMS fund is wages and benefits. The staff is composed of 14 full-time and 13 part-time Emergency Medical Technicians and 3 full-time employees in the administrative office. Other significant expenditures include vehicle maintenance and repair, medical first responders, and capital assets (new ambulances, field laptops, monitor defibrillators, and medical supplies).

The Revenue Sharing Fund provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy. The shift of property tax collection and the creation of the restricted Revenue Sharing Reserve Fund are based on county operating millages only – not special millages. Annually, Mecosta County may make use of the Revenue Sharing Reserve Fund in amounts equal to its October 1, 2003 through September 30, 2004 Revenue Sharing payments adjusted for inflation. The inflation rate is defined by MCL 211.34d(1)(1).

The Hospital Renovation fund provides a funding mechanism for the recently approved millage. As stated previously, the qualified electors of the County of Mecosta voted favorably to authorize the issuance of Bonds in the principal amount of \$11,140,000 for the purpose of defraying the cost of renovating, expanding and equipping the Medical Center. This fund was created for the purpose of funding the expenditures related to this renovation.

General Fund Budgetary Highlights

Over the course of the year, the County Board of Commissioners amended the budget to take into account events during the year. Significant funds that were added to the budget include: Fund 641- Department of Public Works (Big Rapids Township Airport Industrial Park), Fund 404 Hospital Expansion and Fund 311- Hospital Debt Service (Mecosta County Medical Center renovation), Fund 302-Law Enforcement, Road Patrol (Sheriff Department separation of Road Patrol and Corrections). In addition, the Board made several changes to the budget that fall into three categories:

- Amendments and supplemental appropriations to reflect the actual beginning account balances and prevention of budget overruns.
- Changes made to account for additional, unexpected costs pertaining to upgrading financial software, building repairs, technology upgrades and maintenance, accumulated absence payouts due to retirements and position reclassifications, increased expenses in the courts due to heavy caseloads, microfilming County records, and unexpected revenues pertaining to loan repayments, refunds or grants .
- Changes made to more properly reflect expenditures and to remain in compliance with the 2002 new State Chart of Accounts and the new financial software.

After all adjustments, the County's 2004 actual revenues exceeded budget and actual expenditures fell well below final budget amounts.

Other Budgetary Highlights

The Board accepted a substantial Emergency Planning grant. This grant assists the county in planning for state homeland security measures, terrorism preparedness, hazard material training and emergency center operations. The Board accepted a substantial Housing Rehabilitation grant to assist in rehabilitations of single family, owner occupied homes county-wide. The Board also made some significant changes to the budget that included increasing revenues for the Commission on Aging and Commission on Aging-Meals funds to reflect additional grants received during the year.

Capital Asset and Debt Administration

At the end of 2004, the County had \$6,996,892 invested in a broad range of capital assets, including land and buildings, public safety equipment (Sheriff Department, EMS), and computer hardware and systems. The Mecosta County Road Commission assets are not reported in the County's financial statements because of Michigan law, which makes these roads the property of the Mecosta County Road Commission (along with the responsibility to maintain them). The County increased its bond debt load by \$11,140,000 and paid \$75,000 in principal payments in 2004, ending with a debt balance of \$12,990,000. The increase relates to the Hospital Renovation Bonds issued to defray costs of renovating, expanding, and equipping the medical center. Principal and interest will be paid by an unlimited tax milage.

Economic Factors and Next Year's Budgets and Rates

The County's budget for 2005 does not increase property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the County needs to continue to watch its budget very closely. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5% unless there is a transfer of ownership. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the County will grow less than by inflation, before considering new property additions. Generally, properties that have transfer of ownership will offset the properties that do not increase by the rate of inflation, resulting in an actual increase in value by more than the rate of inflation before new construction.

The County's budget for 2005 must take into account the revenue sharing cuts from the Governor in the State's 2005-6 fiscal year. Although facing revenue shortages from the State, the overall County adopted 2005 budget is expected to be a stable one. Mecosta County's economic base continues to grow, with new businesses coming to the area. This growth adds to the local economy and creates new jobs. Unemployment for Mecosta County is one of the lowest in the area at 6.9%. In addition, property values are expected to increase above inflation.

The above indicators were considered when adopting the general fund budget for 2004. As we prepare for the 2005 budget, those same indicators will guide us in our budget deliberations, in addition to such things as rate and service fee increases, additional grant revenue, cost of living adjustments, revenue sharing decreases and the rising cost of health care. After all estimates are calculated, the County's budget for 2005 is expected to grow modestly.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Controller's/Administrator's office or the Accounting Office.

Basic Financial Statements

County of Mecosta, Michigan

Statement of Net Assets December 31, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS:				
Current Assets:				
Cash & Equivalents	\$ 12,797,243	\$ 3,934,133	\$ 16,731,376	\$ 866,819
Investments	617,901	699,390	1,317,291	-
Receivables:				
Accounts	460,126	21,877	482,003	845,471
Grants	89,834	-	89,834	-
Taxes	9,401,384	893,276	10,294,660	-
Interest	-	122,795	122,795	-
Special Assessments	-	-	-	275,214
Internal Loans	-	-	-	10,863
Due from Governmental Units	356,095	94,911	451,006	-
Inventory	-	14,682	14,682	419,954
Prepaid Expenses	107,511	22,026	129,537	12,646
Other Assets	54,338	3,510	57,848	-
Non-current Assets:				
Capital Assets (Net of Accumulated Depreciation)	6,996,892	1,530,460	8,527,352	26,554,142
TOTAL ASSETS	\$ 30,881,324	\$ 7,337,060	\$ 38,218,384	\$ 28,985,109
LIABILITIES:				
Current Liabilities:				
Internal Loans	\$ -	\$ -	\$ -	\$ 10,863
Accounts Payable	752,984	50,737	803,721	60,514
Accrued Liabilities	201,324	95,344	296,668	68,761
Accrued Interest Payable	133,608	-	133,608	-
Due to Governmental Units	151,097	111,732	262,829	-
Deferred Revenue	7,403,858	22,811	7,426,669	-
Bonds Payable - Current	275,000	-	275,000	33,000
Non-current Liabilities:				
Advance from State	-	-	-	272,328
Bonds Payable	12,715,000	-	12,715,000	245,000
Compensated Absences	528,371	-	528,371	200,224
TOTAL LIABILITIES	22,161,242	280,624	22,441,866	890,690
NET ASSETS:				
Invested in Capital Assets (net of related debt)	4,619,135	1,530,460	6,149,595	26,554,142
Restricted for County Road	-	-	-	1,416,336
Unrestricted (See Note 16)	4,100,947	5,525,976	9,626,923	123,941
TOTAL NET ASSETS	\$ 8,720,082	\$ 7,056,436	\$ 15,776,518	\$ 28,094,419

County of Mecosta, Michigan

Statement of Activities For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 322,580	-	\$ -	\$ -	\$ (322,580)	\$ -	\$ (322,580)	\$ -
Judicial	1,431,037	978,996	867,199	-	415,158	-	415,158	-
General Government	2,016,795	889,644	520,889	-	(606,262)	-	(606,262)	-
Public Safety	3,356,767	673,223	497,887	-	(2,185,657)	-	(2,185,657)	-
Health & Welfare	4,774,654	2,023,078	958,689	-	(1,792,887)	-	(1,792,887)	-
Community & Economic Development	79,317	-	-	-	(79,317)	-	(79,317)	-
Interest Expense - Unallocated	475,047	-	-	-	(475,047)	-	(475,047)	-
Other Expenses (See Note 15)	7,867,288	-	-	-	(7,867,288)	-	(7,867,288)	-
Total Governmental Activities	20,323,485	4,564,941	2,844,664	-	(12,913,880)	-	(12,913,880)	-
Business-type activities:								
MOCAT	885,740	229,743	444,282	31,164	-	(180,551)	(180,551)	-
Parks	894,126	875,903	-	-	-	(18,223)	(18,223)	-
Tax Collection	15,729	403,232	-	-	-	387,503	387,503	-
Other	2,248	2,429	-	-	-	181	181	-
Total Business-type Activities	1,797,843	1,511,307	444,282	31,164	-	188,910	188,910	-
Total Primary Government	\$ 22,121,328	\$ 6,076,248	\$ 3,288,946	\$ 31,164	\$ (12,913,880)	188,910	(12,724,970)	-
Component Units:								
Road Commission	\$ 6,324,112	\$ 1,252,524	\$ 4,300,873	\$ 1,172,171				401,456
Drain	1,695	-	-	-				(1,695)
Chippewa Lake Bond Redemption	44,487	47,538	-	-				3,051
Total Component Units	6,370,294	1,300,062	4,300,873	1,172,171				402,812
Total	\$ 28,491,622	\$ 7,376,310	\$ 7,589,819	\$ 1,203,335				402,812
General Revenues:								
Taxes					9,066,935	-	9,066,935	116
State Revenue Sharing					241,316	-	241,316	-
Federal, State, & Local - General					43,864	66,237	110,101	135,078
Investment Earnings (Loss)					331,795	9,426	341,221	849
Transfers					141,451	(141,451)	-	-
Total General Revenues and Transfers					9,825,361	(65,788)	9,759,573	136,043
Change in Net Assets					(3,088,519)	123,122	(2,965,397)	538,855
Net Assets - Beginning					11,808,601	6,933,314	18,741,915	27,555,564
Net Assets - Ending					\$ 8,720,082	\$ 7,056,436	\$ 15,776,518	\$28,094,419

See accompanying notes to financial statements.

County of Mecosta, Michigan

Balance Sheet Governmental Funds December 31, 2004

	General	Emergency Medical Services	Hospital Renovation	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:						
Cash & Equivalents	\$ 2,519,975	\$ 476,043	\$ 6,304,482	\$ -	\$ 3,475,791	\$ 12,776,291
Investments	617,901	-	-	-	-	617,901
Receivables:						
Accounts	11,971	414,334	-	-	13,873	440,178
Grants	-	-	-	-	89,834	89,834
Taxes	6,012,588	501,049	-	2,004,196	883,551	9,401,384
Due from Other Funds	476,157	-	-	-	-	476,157
Due from Governmental Units	47,906	-	-	-	308,189	356,095
Prepaid Expenses	107,511	-	-	-	-	107,511
Other Assets	54,338	-	-	-	-	54,338
TOTAL ASSETS	\$ 9,848,347	\$ 1,391,426	\$ 6,304,482	\$ 2,004,196	\$ 4,771,238	\$ 24,319,689
LIABILITIES:						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 467,167	\$ -	\$ 467,167
Accounts Payable	74,684	16,834	604,089	-	57,268	752,875
Accrued Liabilities	135,885	27,509	-	-	37,930	201,324
Due to Governmental Units	-	-	-	-	151,097	151,097
Deferred Revenue	6,012,588	501,049	-	-	890,221	7,403,858
TOTAL LIABILITIES	6,223,157	545,392	604,089	467,167	1,136,516	8,976,321
FUND BALANCES:						
Unreserved:						
Designated	-	846,034	5,700,393	1,537,029	-	8,083,456
Undesignated	3,625,190	-	-	-	3,634,722	7,259,912
TOTAL FUND BALANCES	3,625,190	846,034	5,700,393	1,537,029	3,634,722	15,343,368
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,848,347	\$ 1,391,426	\$ 6,304,482	\$ 2,004,196	\$ 4,771,238	

Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities	6,996,892
Long-term notes & leases payable for governmental activities	(12,990,000)
Compensated absences liability	(528,371)
Internal service funds included in governmental activities	31,801
Accrued interest expense	(133,608)
Net assets of governmental activities	\$ 8,720,082

County of Mecosta, Michigan

Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2004

	General	Emergency Medical Services	Hospital Renovation	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 5,576,588	\$ 528,896	\$ -	\$ 2,004,196	\$ 957,255	\$ 9,066,935
Licenses & Permits	50,680	-	-	-	322,335	373,015
Intergovernmental Revenue:						
Federal Sources	214,398	-	-	-	675,107	889,505
State Sources	1,101,838	-	-	-	837,232	1,939,070
Local Sources	234,168	-	-	-	23,237	257,405
Charges for Services	1,640,746	1,457,760	-	-	593,889	3,692,395
Interest & Rentals	247,357	6,499	57,160	-	20,779	331,795
Other Revenue	234,306	32,913	-	-	219,261	486,480
TOTAL REVENUES	9,300,081	2,026,068	57,160	2,004,196	3,649,095	17,036,600
EXPENDITURES:						
Legislative	320,137	-	-	-	-	320,137
Judicial	1,397,205	-	-	-	21,298	1,418,503
General Government	1,788,905	-	-	-	74,337	1,863,242
Public Safety	2,345,420	-	-	-	717,882	3,063,302
Health & Welfare	239,024	1,865,711	-	-	2,515,668	4,620,403
Community & Economic Development	79,317	-	-	-	-	79,317
Capital Outlay	-	-	5,496,767	-	333,414	5,830,181
Debt Service	-	-	-	-	443,869	443,869
Other Expenditures	2,497,555	-	-	-	-	2,497,555
TOTAL EXPENDITURES	8,667,563	1,865,711	5,496,767	-	4,106,468	20,136,509
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	632,518	160,357	(5,439,607)	2,004,196	(457,373)	(3,099,909)
OTHER FINANCING SOURCES (USES):						
Bond Proceeds	-	-	11,140,000	-	-	11,140,000
Premium on Bonds	-	-	-	-	50,301	50,301
Operating Transfers In	469,290	-	388,566	-	1,150,193	2,008,049
Operating Transfers Out	(904,549)	(74,500)	(388,566)	(467,167)	(19,633)	(1,854,415)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	197,259	85,857	5,700,393	1,537,029	723,488	8,244,026
FUND BALANCES, JANUARY 1	3,427,931	760,177	-	-	2,911,234	7,099,342
FUND BALANCES, DECEMBER 31	\$ 3,625,190	\$ 846,034	\$ 5,700,393	\$ 1,537,029	\$ 3,634,722	\$ 15,343,368

County of Mecosta, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2004

\$ 8,244,026

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$571,049) exceeded capital outlay \$460,448 in the current period.

(110,601)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of assets.

Principal repayments:

Bond Principal

75,000

Receipt of bond proceeds is an other financing source in the governmental funds but is recognized as an increase in liability on the statement of net assets.

(11,140,000)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(45,197)	
Accrued interest on bonds	<u>(106,178)</u>	

(151,375)

Internal Service Funds

(5,569)

Changes in net assets of governmental activities

\$ (3,088,519)

County of Mecosta, Michigan

Statement of Net Assets Proprietary Funds December 31, 2004

	Enterprise Funds					
	Mecosta Osceola County Area Transit	Mecosta County Park Commission	2003 Tax Revolving	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS:						
<i>Current Assets:</i>						
Cash & Equivalents	\$ 154,031	\$ 2,705	\$ 3,770,851	\$ 6,546	\$ 3,934,133	\$ 20,952
Investments	-	699,390	-	-	699,390	-
Receivables:						
Accounts	19,759	2,118	-	-	21,877	19,948
Taxes	-	-	893,276	-	893,276	-
Interest	1,852	-	120,943	-	122,795	-
Other Assets	-	-	3,510	-	3,510	-
Prepaid Expense	9,095	12,931	-	-	22,026	-
Inventory	14,682	-	-	-	14,682	-
Due from Other Governmental Units	-	-	94,911	-	94,911	-
Total Current Assets	199,419	717,144	4,883,491	6,546	5,806,600	40,900
<i>Noncurrent Assets:</i>						
Property and Equipment	623,162	907,298	-	-	1,530,460	-
Total Noncurrent Assets	623,162	907,298	-	-	1,530,460	-
TOTAL ASSETS	<u>\$ 822,581</u>	<u>\$ 1,624,442</u>	<u>\$ 4,883,491</u>	<u>\$ 6,546</u>	<u>\$ 7,337,060</u>	<u>\$ 40,900</u>
LIABILITIES & NET ASSETS:						
<i>Liabilities:</i>						
Due to Other Funds	-	-	-	-	-	8,990
Accounts Payable	36,335	14,389	-	13	50,737	109
Accrued Liabilities	49,766	45,578	-	-	95,344	-
Deferred Revenue	-	22,811	-	-	22,811	-
Due to Other Governmental Units	33,406	28,000	50,326	-	111,732	-
TOTAL LIABILITIES	119,507	110,778	50,326	13	280,624	9,099
<i>Net Assets:</i>						
Invested in Capital Assets (net of related debt)	623,162	907,298	-	-	1,530,460	-
Unrestricted	79,912	606,366	4,833,165	6,533	5,525,976	31,801
TOTAL NET ASSETS	<u>\$ 703,074</u>	<u>\$ 1,513,664</u>	<u>\$ 4,833,165</u>	<u>\$ 6,533</u>	<u>\$ 7,056,436</u>	<u>\$ 31,801</u>

County of Mecosta, Michigan

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2004

	Enterprise Funds					
	Mecosta Osceola County Area Transit	Mecosta County Park Commission	2003 Tax Revolving	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Interest & Penalties - taxes	\$ -	\$ -	\$ 255,695	\$ -	\$ 255,695	\$ -
Intergovernmental Revenue:						
Local Units	3,943	-	-	-	3,943	-
Charges for Services	229,743	875,903	147,537	2,429	1,255,612	75,145
Total Operating Revenues	233,686	875,903	403,232	2,429	1,515,250	75,145
OPERATING EXPENSES:						
Personnel Services	569,961	547,725	-	-	1,117,686	-
Supplies	81,205	37,941	-	2	119,148	19,813
Postage	-	-	5,141	136	5,277	36,481
Other Services & Charges	107,183	208,094	10,588	2,110	327,975	12,237
Depreciation	127,391	100,366	-	-	227,757	-
Total Operating Expenses	885,740	894,126	15,729	2,248	1,797,843	68,531
OPERATING INCOME (LOSS)	(652,054)	(18,223)	387,503	181	(282,593)	6,614
NON-OPERATING REVENUES (EXPENSES):						
Interest on Deposits	2,828	6,598	-	-	9,426	-
Operating Transfers In	-	-	418,259	2,000	420,259	-
Operating Transfers Out	-	-	(561,710)	-	(561,710)	(12,183)
Intergovernmental Revenue:						
Federal	79,313	-	-	-	79,313	-
State	361,026	-	-	-	361,026	-
Local	31,164	-	-	-	31,164	-
Other Income	7,545	16,864	41,828	-	66,237	-
Total Non-operating Revenues (Expenses)	481,876	23,462	(101,623)	2,000	405,715	(12,183)
CHANGES IN NET ASSETS	(170,178)	5,239	285,880	2,181	123,122	(5,569)
NET ASSETS, JANUARY 1	873,252	1,508,425	4,547,285	4,352	6,933,314	37,370
NET ASSETS, DECEMBER 31	<u>\$ 703,074</u>	<u>\$ 1,513,664</u>	<u>\$ 4,833,165</u>	<u>\$ 6,533</u>	<u>\$ 7,056,436</u>	<u>\$ 31,801</u>

County of Mecosta, Michigan

Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2004

	Enterprise Funds					
	Mecosta Osceola County Area Transit	Mecosta County Park Commission	2003 Tax Revolving	Non Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Customers	\$ 227,998	\$ 864,833	\$ 628,446	\$ 2,429	\$ 1,723,706	\$ 55,197
Payments to Suppliers	(359,496)	(237,371)	(15,729)	(2,235)	(614,831)	(69,467)
Payments to Employees	(363,440)	(547,725)	-	-	(911,165)	-
Internal Activity - Payments/Receipts with Other Funds	-	-	-	-	-	8,990
Net Cash Provided (Used) by Operating Activities	(494,938)	79,737	612,717	194	197,710	(5,280)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Other	-	13,211	-	-	13,211	-
Grants Received	451,139	-	-	-	451,139	-
Operating transfers in	-	-	418,259	2,000	420,259	-
Operating transfers out	-	-	(561,710)	-	(561,710)	(12,183)
Net Cash Provided (Used) by Noncapital Financing Activities	451,139	13,211	(143,451)	2,000	322,899	(12,183)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Purchase of Fixed Assets	(31,164)	(96,542)	-	-	(127,706)	-
Capital Grants	31,737	1,122	-	-	32,859	-
Other	7,545	3,529	41,828	-	52,902	-
Net Cash Provided (Used) by Capital Financing Activities	8,118	(91,891)	41,828	-	(41,945)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Net Change in Investments	-	(8,119)	-	-	(8,119)	-
Interest income	1,153	6,598	-	-	7,751	-
Net Cash Provided (Used) in Investing Activities	1,153	(1,521)	-	-	(368)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(34,528)	(464)	511,094	2,194	478,296	(17,463)
Balances - Beginning of the Year	188,559	3,169	3,259,757	4,352	3,455,837	38,415
Balances - End of the Year	\$ 154,031	\$ 2,705	\$ 3,770,851	\$ 6,546	\$ 3,934,133	\$ 20,952
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (652,054)	\$ (18,223)	\$ 387,503	\$ 181	\$ (282,593)	\$ 6,614
Depreciation	127,391	100,366	-	-	227,757	-
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Change in Assets and Liabilities:						
Taxes Receivable	-	-	177,550	-	177,550	-
Accounts Receivable	(7)	(984)	-	-	(991)	(19,948)
Interest Receivable	-	-	18,104	-	18,104	-
Other Assets	-	-	(783)	-	(783)	-
Prepaid Expense	(5,482)	(10,086)	-	-	(15,568)	-
Inventory	(199)	-	-	-	(199)	-
Due From Other Governmental Units	-	-	3,334	-	3,334	-
Due From Other Funds	-	-	-	-	-	8,990
Accounts Payable	25,985	(6,636)	27,009	13	46,371	(936)
Accrued Liabilities	9,428	3,991	-	-	13,419	-
Deferred Revenue	-	(60)	-	-	(60)	-
Due to Other Governmental Funds	-	11,369	-	-	11,369	-
Net Cash Provided (Used) by Operating Activities	\$ (494,938)	\$ 79,737	\$ 612,717	\$ 194	\$ 197,710	\$ (5,280)

**Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004**

	<u>Agency Funds</u>
ASSETS:	
Cash & Equivalents	\$ 2,363,940
Investments	<u>125,172</u>
 TOTAL ASSETS	 <u><u>2,489,112</u></u>
 LIABILITIES:	
Undistributed Receipts	2,476,501
Due to Other Governmental Units	<u>12,611</u>
 TOTAL LIABILITIES	 <u><u>\$ 2,489,112</u></u>

County of Mecosta, Michigan

Statement of Net Assets

Component Units

December 31, 2004

	Road Commission	Drain	Revolving Drain	Chippewa Lake Bond Redemption	Totals
ASSETS:					
Current Assets:					
Cash & Investments	\$ 743,017	\$ 81,434	\$ 9,355	\$ 33,013	\$ 866,819
Receivables:					
Accounts	845,471	-	-	-	845,471
Special Assessments	-	214	-	275,000	275,214
Inventory	419,954	-	-	-	419,954
Prepaid Expense	12,646	-	-	-	12,646
Internal Loan	-	-	10,863	-	10,863
Total Current Assets	2,021,088	81,648	20,218	308,013	2,430,967
Noncurrent Assets:					
Capital Assets (Net of Accumulated Depreciation)	26,554,142	-	-	-	26,554,142
TOTAL ASSETS	<u>\$ 28,575,230</u>	<u>\$ 81,648</u>	<u>\$ 20,218</u>	<u>\$ 308,013</u>	<u>\$ 28,985,109</u>
LIABILITIES & NET ASSETS:					
Current Liabilities:					
Internal Loan	\$ -	\$ 10,863	\$ -	\$ -	\$ 10,863
Accounts Payable	60,439	75	-	-	60,514
Accrued Liabilities	68,761	-	-	-	68,761
Bonds Payable - Current	3,000	-	-	30,000	33,000
Total Current Liabilities	132,200	10,938	-	30,000	173,138
Noncurrent Liabilities:					
Advance from State	272,328	-	-	-	272,328
Bonds Payable	-	-	-	245,000	245,000
Compensated Absences	200,224	-	-	-	200,224
Total Noncurrent Liabilities	472,552	-	-	245,000	717,552
TOTAL LIABILITIES	604,752	10,938	-	275,000	890,690
Net Assets:					
Invested in Capital Assets, net of related debt	26,554,142	-	-	-	26,554,142
Restricted for County Road	1,416,336	-	-	-	1,416,336
Unrestricted	-	70,710	20,218	33,013	123,941
TOTAL NET ASSETS	27,970,478	70,710	20,218	33,013	28,094,419
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,575,230</u>	<u>\$ 81,648</u>	<u>\$ 20,218</u>	<u>\$ 308,013</u>	<u>\$ 28,985,109</u>

County of Mecosta, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Drain	Drain Revolving	Chippewa Lake	Total
Road Commission:									
Public Works	\$ 6,324,112	\$ 1,252,524	\$ 4,300,873	\$ 1,172,171	\$ 401,456	\$ -	\$ -	\$ -	\$ 401,456
Drain:									
Public Works	1,695	-	-	-	-	(1,695)	-	-	(1,695)
Revolving Drain:									
Public Works	-	-	-	-	-	-	-	-	-
Chippewa Lake Bond Redemption:									
Debt Service	44,487	47,538	-	-	-	-	-	3,051	3,051
Total Component Units	<u>\$ 6,370,294</u>	<u>\$ 1,300,062</u>	<u>\$ 4,300,873</u>	<u>\$ 1,172,171</u>	<u>401,456</u>	<u>(1,695)</u>	<u>-</u>	<u>3,051</u>	<u>402,812</u>
General Revenues:									
Taxes					-	116	-	-	116
Investment Earnings					-	849	-	-	849
Other					134,849	-	96	133	135,078
Total General Revenues					<u>134,849</u>	<u>965</u>	<u>96</u>	<u>133</u>	<u>136,043</u>
Change in Net Assets					536,305	(730)	96	3,184	538,855
Net Assets - Beginning					27,434,173	71,440	20,122	29,829	27,555,564
Net Assets - Ending					<u>\$ 27,970,478</u>	<u>\$ 70,710</u>	<u>\$ 20,218</u>	<u>\$ 33,013</u>	<u>\$ 28,094,419</u>

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Mecosta, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A - Reporting Entity:

Financial Reporting Entity

The County of Mecosta, Michigan, established in 1859, is a public corporation created under the Constitution and Statutes of the State of Michigan and covers an area of approximately 563 square miles with the County Seat located in the City of Big Rapids. The County operates under an elected Board of Commissioners (seven members) and provides services to its more than 43,700 residents in many areas, including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and cultural.

The County of Mecosta has considered all potential units in evaluating how to define the County for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Government Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the County and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the County's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

A blended component unit is a legally separate entity from the County, but it is so intertwined with the County that it is, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building Authority - The County appoints a voting majority of the County Building Authority Board and can approve or modify the Building Authority's budget.

Mecosta-Osceola Public Transit - The Mecosta-Osceola County Area Transit (MOCAT) is organized pursuant to the Mass Transportation System Authorities Act, Public Act 55 of 1963. The MOCAT has the capability and authority to provide public transportation to the general public in Mecosta and Osceola Counties. Even though MOCAT is now serving a two-county area, MOCAT's financial statements are not currently included in Osceola County's reporting entity. MOCAT is a part of Mecosta County's reporting entity because the County exercises oversight responsibility and has accountability of fiscal matters. The County also holds title to the majority of assets of MOCAT with the exception of buses operating in Osceola County which are titled in the name of Osceola County. The Transit's activity is included in the Enterprise Fund section of this report. The Transit is reported as of its year ended September 30, 2004.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Mecosta - Osceola County Area Transit
18710 16 Mile Road
Big Rapids, MI 49307

Mecosta County Park Commission - The Mecosta County Park Commission operates four major parks within the County of Mecosta. The Commission provides camping, cabins, park access, picnic facilities, youth camps, and boat ramp access to the public. The Commission's activity is included in the Enterprise Fund section of this report. The Commission is reported as of its year ended December 31, 2004.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Mecosta County Park Commission
22250 Northland Drive
Paris, MI 49338

Discretely Presented Component Units

A discretely presented component unit is an entity that is legally separate from the County but for which the County is financially accountable, or its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. This type of component unit is reported in separate columns to emphasize that it is legally separate from the County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

County Drain Funds and Bond Redemption Funds - Each of the drainage districts are separate legal entities with the power to contract, to sue and to be sued, to hold, manage, and dispose of real and personal property, etc. The full faith and credit of the County may be given for the debt of the drainage districts.

Mecosta County Road Commission - The Mecosta County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected three member Board of County Road Commissioners. The Road Commission may not issue debt without the County's approval and property tax levies for road purposes are subject to County Board of Commissioners' approval.

The criteria established by the Government Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Mecosta County Road Commission, a discretely presented component unit of Mecosta County, and include the Road Commission Operating Fund, and Employee Deferred Compensation Fund.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Mecosta County Road Commission
120 DeKraft
Big Rapids, MI 49307

Jointly Governed Organizations

Northern Michigan Substance Abuse Services, Inc. - The County participates jointly with numerous other Northern Michigan Counties in the operation of this agency. The funding formula requires the County to appropriate 50% of its convention facility revenue each year, which amounted to \$74,077 for the year ended December 31, 2004.

District Health Department #10 - The County participates jointly in the operation of this Health Department with ten other area counties. All financial operations of the Health Department are recorded in Missaukee County. The County appropriated \$244,975 to the Health Department for the year ended December 31, 2004.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Central Michigan Community Mental Health Authority - The County participates jointly in the operation of this Authority with four other area counties. All financial operations of the Authority are recorded in Isabella County. The County appropriated \$166,912 to the Authority for the year ended December 31, 2004.

Meceola Consolidated Central Dispatch Authority - Mecosta and Osceola Counties participate jointly in the operation of the Meceola Consolidated Central Dispatch Authority. Mecosta County makes no appropriations to this Authority.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The County of Mecosta property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the County of Mecosta as of the preceding December 31st.

Although the County of Mecosta 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the County of Mecosta's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the County of Mecosta totaled \$938,775,724, on which ad valorem taxes levied consisted of 5.7909 mills for the County operating, .5500 mills for ambulance services, .4944 mills for Commission on Aging, and .5000 for hospital debt, raising \$5,436,356 for operating, \$516,326 for ambulance services, \$464,131 for Commission on Aging, and \$469,388 for hospital debt.

The County reports the following major governmental funds:

General Fund

This is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Emergency Medical Services Fund

This Fund accounts for emergency medical services provided from charges for services, grants, Medicare and Medicaid reimbursements, and insurance reimbursements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hospital Renovation Fund

This Fund was established to account for funds to renovate, expand and equip the Mecosta Medical Center, a separate entity.

Revenue Sharing Reserve

This Fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

The county reports the following major enterprise funds:

Tax Collection Fund

This fund accounts for property tax administration within the county.

Mecosta – Osceola County Area Transit

The Transit Authority provides public transportation to the general public in Mecosta and Osceola counties. MOCAT's a blended component unit of Mecosta County.

Mecosta County Park Commission

The Commission operates four major parks in Mecosta County. Mecosta County Park Commission is a blended component unit of Mecosta County.

Additionally, the County reports the following fund types:

Internal Service Fund

This fund accounts for central purchases as provided to other departments of the government on a cost reimbursement basis.

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity:

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds is generally allocated to each fund based on the average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaids Items – Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. Inventories of governmental funds recorded as expenditures when consumed rather than when purchased. Inventories of the motor vehicle fuel and vehicle parts of the MOCAT are valued at the lower of cost or market value on the first-in, first-out method. Inventories of the Mecosta County Road Commission are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs, and operations, as used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	10 to 40 years
Infrastructure	30 to 50 years
Vehicles	3 to 5 years
Equipment and Furniture	5 to 10 years
Computer Equipment	2 to 5 years
Infrastructure – Roads	8 to 30 years
Infrastructure – Bridges	10 to 50 years

Compensated Absences (Vacation and Sick Leave) – It is the County of Mecosta's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick pay is accrued when incurred in the government-wide financial statements for employees with three years or more of service with the County of Mecosta. All vacation pay is accrued when incurred in the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with Statement of Financial Accounting Standards 43, no liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized for that portion of accumulating sick-leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriation lapse at fiscal year end.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The County Controller submits to the County Board of Commissioners a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including formal public hearings conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year, the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Mecosta County Board of Commissioners, through policy action, specifically directs the Controller not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Mecosta County Controller is authorized by means of County policy to make certain transfers:
 - 1) The Controller receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amounts to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Commissioners.
 - 2) The following considerations must be reviewed in determination of transfer approvals:
 - (a) Is the transfer consistent with the intent of the Board of Commissioners in adopting the annual budget?
 - (b) Will the transfer maintain the financial integrity of the County?
 - (c) Will the transfer provide a reasonable solution to the departmental operating problem?

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Considering the above, the Controller will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the County Controller and submitted to the Finance Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Controller's office through a budget revision.

- f. The County of Mecosta adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets were adopted in substance on the modified accrual basis which is consistent with U.S. generally accepted accounting principles. Budgeted amounts reported in the financial statements are as amended by the County Board of Commissioners which was materially the same as originally adopted.
- h. General Fund budgeted appropriations to other County departments/budgetary units unexpended at the end of the current fiscal operating year revert to the County General Fund and all budgets lapse at year end.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents					
- Unrestricted	\$ 12,797,243	\$ 3,934,133	\$ 2,363,940	\$ 19,095,316	\$ 866,819
Investments - Unrestricted	<u>617,901</u>	<u>699,390</u>	<u>125,172</u>	<u>1,442,463</u>	<u>-</u>
Total	<u>\$ 13,415,144</u>	<u>\$ 4,633,523</u>	<u>\$ 2,489,112</u>	<u>\$ 20,537,779</u>	<u>\$ 866,819</u>

Classification of cash and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 19,062,701	\$ 866,719
Investment in Securities, Mutual Funds and Similar Vehicles	1,442,463	-
Petty Cash and Cash on Hand	<u>32,615</u>	<u>100</u>
Total	<u>\$ 20,537,779</u>	<u>\$ 866,819</u>

The bank balance of the primary government's deposits is \$20,484,482, of which \$786,486 is covered by federal depository insurance. The component units' deposits had a bank balance of \$960,302, of which \$100,000 was covered by federal depository insurance.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Investments are categorized into these three categories of credit risk:

- 1. Insured or registered, or securities held by the County or its agent in the government's name;
- 2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
- 3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the County's name.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

At year-end, the government's investment balances were categorized as follow:

	Category			Carrying Value	Fair Value
	1	2	3		
Primary Government:					
Treasury Bills and					
Government Securities	\$ -	\$ 1,317,291	\$ -	\$ 1,317,291	\$ 1,317,291
Mutual Funds	-	125,172	-	125,172	125,172
Total Primary Government	\$ -	\$ 1,442,463	\$ -	\$ 1,442,463	\$ 1,442,463

The County's deposits and investment policy are in accordance with statutory authority.

NOTE 4 - RECEIVABLES – GOVERNMENTAL ACTIVITIES

Receivables of year-end for the government's individual major and nonmajor funds, and the internal service in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	EMS	Revenue Sharing Reserve	Non-Major Funds	Total
Taxes Receivable	\$ 6,012,588	\$ 501,049	\$ 2,004,196	\$ 883,551	\$ 9,401,384
Accounts	11,971	414,334	-	33,821	460,126
Grants	-	-	-	89,834	89,834
Due from Other Governments	47,906	-	-	308,189	356,095
Net Receivables	\$ 6,072,465	\$ 915,383	\$ 2,004,196	\$ 1,315,395	\$ 10,307,439

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 323,000	\$ -	\$ -	\$ 323,000
Subtotal	323,000	-	-	323,000
<i>Capital assets being depreciated:</i>				
Buildings and improvements	8,840,983	52,600	5,000	8,888,583
Equipment and furniture	483,945	55,863	-	539,808
Vehicles	1,112,215	351,985	86,202	1,377,998
Subtotal	10,437,143	460,448	91,202	10,806,389

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,638,067)	(253,718)	5,000	(2,886,785)
Equipment and furniture	(250,260)	(78,134)	-	(328,394)
Vehicles	(764,323)	(239,197)	86,202	(917,318)
Subtotal	<u>(3,652,650)</u>	<u>(571,049)</u>	<u>91,202</u>	<u>(4,132,497)</u>
Net Capital Assets Being Depreciated	<u>6,784,493</u>	<u>(110,601)</u>	<u>-</u>	<u>6,673,892</u>
Governmental Activity Capital Assets, Net of Depreciation	<u>\$ 7,107,493</u>	<u>\$ (110,601)</u>	<u>\$ -</u>	<u>\$ 6,996,892</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 153,028
Public Safety	267,596
Health and Welfare	149,426
Judicial	<u>999</u>
Total Governmental Activities	<u>\$ 571,049</u>

A summary of changes in the Park Commission's capital assets are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Building-type Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land and improvements	<u>\$ 1,063,140</u>	<u>\$ 460</u>	<u>\$ -</u>	<u>\$ 1,063,600</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	548,570	54,291	-	602,861
Machinery and equipment	<u>461,552</u>	<u>41,790</u>	<u>19,385</u>	<u>483,957</u>
Subtotal	1,010,122	96,081	19,385	1,086,818
Less accumulated depreciation	<u>(1,161,142)</u>	<u>(100,366)</u>	<u>(18,388)</u>	<u>(1,243,120)</u>
Total capital assets being depreciated, net	<u>(151,020)</u>	<u>(4,285)</u>	<u>997</u>	<u>(156,302)</u>
Business-type activities capital assets, net	<u>\$ 912,120</u>	<u>\$ (3,825)</u>	<u>\$ 997</u>	<u>\$ 907,298</u>

NOTE 5 - CAPITAL ASSETS (Continued)

A summary of changes in the MOCAT's capital assets are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-type Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 8,500	\$ -	\$ -	\$ 8,500
<i>Capital assets, being depreciated:</i>				
Buildings	505,442	-	-	505,442
Buses and other vehicles	1,108,780	31,164	(247,218)	892,726
Bus and garage equipment	58,887	-	-	58,887
Office equipment	<u>145,542</u>	<u>-</u>	<u>-</u>	<u>145,542</u>
Total capital assets, being depreciated	<u>1,818,651</u>	<u>31,164</u>	<u>(247,218)</u>	<u>1,602,597</u>
Less accumulated depreciation for:				
Buildings	292,667	26,799	-	319,466
Buses and other vehicles	650,806	91,006	(247,218)	494,594
Bus and garage equipment	42,584	4,267	-	46,851
Office equipment	<u>121,705</u>	<u>5,319</u>	<u>-</u>	<u>127,024</u>
Total accumulated depreciation	<u>1,107,762</u>	<u>127,391</u>	<u>(247,218)</u>	<u>987,935</u>
Total capital assets, being depreciated, net	<u>710,889</u>	<u>(96,227)</u>	<u>-</u>	<u>614,662</u>
Business-type activities capital assets, net	<u>\$ 719,389</u>	<u>\$ (96,227)</u>	<u>\$ -</u>	<u>\$ 623,162</u>

A summary of changes in the Road Commission's capital assets are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Component Unit – Road Commission:</u>				
<i>Capital assets not being depreciated:</i>				
Land and Improvements	\$ 255,547	\$ -	\$ -	\$ 255,547
Infrastructure Land Improvements	<u>8,020,056</u>	<u>37,798</u>	<u>-</u>	<u>8,057,854</u>
Subtotal	<u>8,275,603</u>	<u>37,798</u>	<u>-</u>	<u>8,313,401</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,463,016	171,207	-	1,634,223
Road Equipment	5,183,648	873,879	849,072	5,208,455
Shop Equipment	38,411	2,589	-	41,000
Office Equipment	130,079	1,783	-	131,862
Engineer's Equipment	82,862	7,167	-	90,029
Infrastructure – Bridges	2,739,939	193,427	-	2,933,366
Infrastructure – Roads	<u>25,179,496</u>	<u>1,861,515</u>	<u>637,823</u>	<u>26,403,188</u>
Subtotal	<u>34,817,451</u>	<u>3,111,567</u>	<u>1,486,895</u>	<u>36,442,123</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation:				
Building	951,508	35,937	-	987,445
Road Equipment	3,798,547	555,604	680,610	3,673,541
Shop Equipment	35,612	462	-	36,074
Office Equipment	103,019	8,246	-	111,265
Engineer's Equipment	68,965	4,519	-	73,484
Infrastructure – Bridges	1,366,134	58,819	-	1,424,953
Infrastructure – Roads	<u>10,774,957</u>	<u>1,757,486</u>	<u>637,823</u>	<u>11,894,620</u>
Subtotal	<u>17,098,742</u>	<u>2,421,073</u>	<u>1,318,433</u>	<u>18,201,382</u>
Net Capital Assets Being Depreciated	<u>17,718,709</u>	<u>690,494</u>	<u>168,462</u>	<u>18,240,741</u>
Total Net Capital Assets	<u>\$ 25,994,312</u>	<u>\$ 728,292</u>	<u>\$ 168,462</u>	<u>\$ 26,554,142</u>

Depreciation and depletion expense was charged to the following activities:

Net Equipment Expense		
Direct Equipment	\$	555,604
Indirect Equipment		40,918
Net Administrative Expenses		
Office Equipment		8,246
Infrastructure Depreciation		<u>1,816,305</u>
Total Depreciation Expense	\$	<u>2,421,073</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivable and Payable are as follows:

	DUE TO OTHER FUNDS		
	Revenue Sharing Reserve	Other Funds	Totals
General Fund	\$ 467,167	\$ 8,990	\$ 476,157
Other Funds	<u>-</u>	<u>10,863</u>	<u>10,863</u>
Total	<u>\$ 467,167</u>	<u>\$ 19,853</u>	<u>\$ 487,020</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund Transfers

	TRANSFERS (OUT)							
	General Fund	EMS.	Revenue Sharing	Hospital	Non-Major	Tax Collection	Other Funds	Total
General Fund	\$ -	\$ -	\$ 467,167	\$ -	\$ 2,123	\$ -	\$ -	\$ 469,290
Hospital Fund	-	-	-	-	-	388,566	-	388,566
Non-Major	903,549	74,500	-	-	-	172,144	-	1,150,193
Tax Collection	-	-	-	388,566	17,510	-	12,183	418,259
Other Funds	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>2,000</u>
Total	<u>\$ 904,549</u>	<u>\$ 74,500</u>	<u>\$ 467,167</u>	<u>\$ 388,566</u>	<u>\$ 19,633</u>	<u>\$ 561,710</u>	<u>\$ 12,183</u>	<u>\$ 2,428,308</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - LEASES - OPERATING

Mecosta County Park Commission leases the land for Brower Park. The Park Commission entered into a lease with Consumers Energy Company dated October 16, 1999 that extends from May 1, 1999 until May 1, 2017. Rent is paid annually and is to be based on an allocation of the annual expenses the Lesser expects to incur in administering the various leases, licenses, and license agreements that Lesser expects to have in place for its FERC – regulated hydro project lands. The rental amount currently is set at \$2,400 per year and shall be revised every fifth year during the term of the lease, based on projected data for the year of the revision.

The following is a schedule of the future minimum lease payments required under the operating lease which has initial or remaining noncancelable lease terms in excess of one year as of December 31, 2004. The amount for the year ended December 31, 2008 and after is subject to changes based on the agreement discussed above.

<u>YEAR ENDED DECEMBER 31,</u>	<u>AMOUNT</u>
2005	2,400
2006	2,400
2007	2,400
2008	2,400
2009	2,400
2010-2014	12,000
2015-2017	9,600
	<u>\$ 33,600</u>

NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amount levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NOTE 8 - LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds							
Building Authority Bonds, due in annual installments from \$25,000 to \$250,00 through March 1, 2016, interest from 4.00 to 4.60%, payable semi-annually.	4.0% to 4.6%	2016	\$ 1,925,000	\$ -	\$ (75,000)	\$ 1,850,000	\$ 75,000
Hospital Bonds, due in annual installments from \$200,000 to \$1,000,000 through March 1, 2023, interest from 3.00 to 4.125%, payable semi-annually.	3.0% to 4.125%	2023	-	11,140,000	-	11,140,000	200,000
Total Governmental Activities			<u>\$ 1,925,000</u>	<u>\$ 11,140,000</u>	<u>\$ (75,000)</u>	<u>\$ 12,990,000</u>	<u>\$ 275,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Governmental Activities	
	Principal	Interest
2005	\$ 275,000	\$ 505,955
2006	325,000	496,081
2007	350,000	485,894
2008	425,000	474,800
2009	475,000	461,144
2010-2014	3,350,000	1,972,850
2015-2019	4,090,000	1,175,579
2020-2025	<u>3,700,000</u>	<u>322,907</u>
Total	<u>\$ 12,990,000</u>	<u>\$ 5,895,210</u>

Component Units

The County is not obligated in any manner for special assessment debt (Chippewa Lake Sanitary Drain Bonds) of \$275,000. The County is only acting as an agent for the property owners in collecting the assessments, making disbursements to contractors, and making disbursements for debt retirement. At December 31, 2004, \$33,013 was available in the Debt Service Fund for retirement of the Chippewa Lake Sanitary Drain Bonds.

NOTE 8 - LONG-TERM DEBT (Continued)

The long-term debt of the Road Commission is summarized as follows:

	Balance 01/01/04	Additions (Reductions)	Balance 12/31/04
Vested Employee Benefits			
Vacation Benefits	\$ 49,530	\$ 361	\$ 49,891
Sick Leave Benefits	<u>138,500</u>	<u>11,833</u>	<u>150,333</u>
Total	<u>\$ 188,030</u>	<u>\$ 12,194</u>	<u>\$ 200,224</u>

Compensated Absences – County General Employees

All Mecosta County employees accrue vacation leave based on the number of years of service. Up to thirty days worth of vacation leave may be accumulated, but hours in excess of this are forfeited.

Sick leave is earned at a rate of one sick day per month if they work or are compensated by the employer for fifteen days that month, not to exceed twelve days per year with unlimited maximum accumulation. Employees also have the option of being paid at 50 percent of sick leave not used each year after 1986.

Upon termination of employment, vacation leave is paid at 100% of the hours accrued. Sick leave is paid for 50% of hours accrued.

A summary of accrued compensated absences at December 31, 2004 is as follows:

Vacation	\$ 245,669
Sick Leave	<u>282,702</u>
TOTALS	<u>\$ 528,371</u>

Component Units

Mecosta County Park Commission

Vacation and Similar Leave Absences - should be accrued as a liability as the benefits are earned by the employees if both of these conditions are met:

- (a) The employees' rights to receive compensation are attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirements.

NOTE 8 - LONG-TERM DEBT (Continued)

Sick and Similar Leave Absences - should be accrued using one of the following termination approaches:

- (a) Under the Termination Payment method, a liability should be accrued as the benefits are earned by employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.
- (b) Under the Vesting method, a liability should be based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payment, as well as other employees who are expected to become eligible in the future to receive such payments.

Sick pay is accrued under the Termination Payment method. It is the Park Commission's policy to permit employees to accumulate earned but unused sick and vacation pay. Amounts estimated to be payable within one year are shown as current liabilities and remaining amounts are classified as non-current liabilities.

At December 31, 2004, the vacation and sick benefits accrued were \$37,770.

Meceola – Osceola County Area Transit

Compensated Absences

The Authority accrues sick and vacation benefits in the period they are earned. Vacation leave is earned in varying amounts depending on the number of years of service of an employee. At September 30, 2004, the sick and vacation benefits accrued was \$35,139.

Mecosta County Road Commission

Vested Employee Vacation Benefits

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of each employee. Administrative and supervisory union employees may accumulate vacation leave time of up to five weeks and non-supervisory employees may accumulate up to four weeks. If union employees are unable to use their vacation benefits and will lose them, they may apply to the engineer/administrator four weeks in advance of the end of their vacation eligibility year for permission to carry their unused vacation into the following year. The total vested vacation was \$49,891 at December 31, 2004.

NOTE 8 - LONG-TERM DEBT (Continued)

Vested Employee Sick Leave Benefits

All employees shall accumulate one sick leave day per month, not to exceed twelve, eight hour days per year. Upon retirement or death, all union employees shall be paid at his or her regular rate of pay of up to 400 hours unused sick leave and administrative employees shall be paid up to 240 hours of unused sick leave. All union employees may accumulate up to 1200 hours and administrative employees have no limit on the accumulation of sick leave. The total sick leave was \$150,333 at December 31, 2004.

Annually on each supervisory union employee's anniversary date, the employer can pay all sick hours in excess of 400 hours, a lump sum payment calculated at \$9 per hour.

NOTE 9 - RISK MANAGEMENT

Primary Government

The County of Mecosta (including Parks Commission) participates in the Michigan Municipal Risk Management Authority (MMRMA). The Authority is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to Michigan cities, counties, townships, and special purpose governments. The County of Mecosta is responsible for paying all losses, including damages, loss adjustment expenses, and defense costs, for each occurrence that falls within the County's self-insured retention (SIR).

A summary of the activity in the County's MMRMA retention fund for the year ending December 31, 2004 is as follows:

Balance – January 1, 2004		\$	60,847
Add:			
Contributions	\$	12,050	
Interest		<u>3,439</u>	15,489
Less:			
Net Claims		7,425	
Other		<u>9,040</u>	<u>(16,465)</u>
Balance – December 31, 2004			
("Prepaid Assets" in Statement of Net Assets)		\$	<u>59,871</u>

NOTE 9 - RISK MANAGEMENT (Continued)**Component Units**

The Mecosta-Osceola County Area Transit is a participant in a public entity risk pool operated by Michigan Transit Pool. The Transit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Transit carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated.

For its property and casualty insurance coverage, the Transit is a participant in a public entity risk pool operated by Michigan Transit Pool which benefits participating transportation authorities. The Transit pays an annual premium for this coverage which provides funds to the Pool to secure specific and excess reinsurance, maintain the Loss Fund, and cover administrative and loss prevention service costs. Should the losses of the Pool, in a given coverage period, exceed the Loss Fund and the aggregate excess reinsurance, the Transit would receive a prorata assessment for their share of the loss. For the current year, no additional claims or assessments have come to the attention of the Transit that would require an adjustment to the premium charged by the risk pool. Premiums are expensed as incurred while excess reserve distributions are recognized as a contra-expense in the year received in accordance with Michigan Department of Transportation guidelines.

The Road Commission is exposed to various risks of loss related to property loss, torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. The Road Commission has purchased commercial insurance for medical benefit claims for its employees and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunk line liability, errors and omissions, physical damage (equipment, building, and contents), and workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

The County Road Commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provision of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to Road Commissions and related road commission activities within the state. The Mecosta County Road Commission became a member in April, 1984.

The Michigan County Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2004.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 12, the County provides post-employment health care benefits to all retired employees and/or their spouse. The benefit includes the provision that a retiree pays 100% of the cost of the premium.

The Road Commission provides post-retirement health care benefits, in accordance with labor contracts and personnel policy, to all employees who retire from the Road Commission. For the retired employees only, between 60 and 65 years old, premiums of medical benefits are paid in full by the Road Commission. When the retired employee attains the age of 65 years, the employer's contribution shall end under the contracts. Currently, 4 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. During the year, net expenditures of \$18,774 were recognized for post-retirement health care.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMSDescription of Plan and Plan Assets

The County (including Mecosta County Parks Commission) is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.5 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate. Two employee groups are also required to contribute based on their union agreements.

The contribution rates as a percentage of covered payroll at December 31, 2003 are as follows:

	<u>Employer</u>	<u>Employee</u>
General Employee (non-union)	10.49%	1.34%
Sheriff (non-union)	9.72%	-%
Fire Fighters (non-union)	8.41%	3.39%
Sheriff Poam (union)	11.75%	-%
Courthouse Employees (AFSCME)	11.38%	1.00%
Park Employees	9.11%	-%
Closed Act 345	-%	-%

Annual Pension Cost

During the fiscal year ended December 31, 2004, the County's contributions (including Parks Commission) totaling \$545,903 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability of 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three year trend information as of December 31, follows:

	2001	2002	2003
Actuarial Value of Assets	\$ 12,755,994	\$ 14,123,758	\$ 15,264,624
Actuarial Accrued Liability	15,605,904	18,005,420	19,306,341
Unfunded AAL	2,849,910	3,881,662	4,041,717
Funded Ratio	82%	78%	79%
Covered Payroll	4,290,286	3,996,651	3,694,821
UAAL as a Percentage of Covered Payroll	66%	97%	109%

ROAD COMMISSION

Depreciation of Plan and Plan Assets

The Mecosta County Road Commission is in an agent, multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. There are four groups of employees being general, union supervision, administration and manager. The service requirement for general employees, union supervision and administrative staff is computed using credited service at the time of termination of membership multiplied by the sum of 1.7% times the final average compensation. The service requirement for the manager is computed using credited service at the time of termination of membership multiplied by the sum of 2% times the final average compensation. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12A of Public Act #156 of 1851 (MSA 5.333 (a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Public Act No. 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which requires members, except for the manager, to contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. During 2003, the employees contributions totaled \$71,975. The Road Commission is required to contribute at an actuarially determined rate which was 0% of the annual payroll for the union and supervisors and 4.73% fir administration based on the 2001 actuarial valuation beginning on January 1, 2003.

Annual Pension Cost

During the calendar year ended December 31, 2003, the Road Commission's contributions were \$0 in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2001. The Road Commission paid the required contribution of \$7,935 along with a voluntary \$15,500 contribution. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members' retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three year trend information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	66,244	100%	0%
2002	69,257	100%	0%
2003	71,975	100%	0%

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Required Supplementary Information for GASB Statement NO. 27

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL (UAAL)(1)-(2)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a Percent of Covered Payroll
2001	6,385,521	5,627,436	758,085	113%	1,394,989	0%
2002	6,272,522	5,838,535	433,987	107%	1,455,720	0%
2003	6,472,370	6,579,887	(107,517)	98%	1,555,247	7%

NOTE 13 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN

Mecosta County contributes to a defined contribution retirement plan administered by MERS with the International City Management Association Retirement Corporation (ICMA) acting as an investment fiduciary.

The County contributed \$177,991 to the plan during the year ended December 31, 2004 equal to up to 9% of covered payroll.

NOTE 14 - DEFERRED COMPENSATION PLAN

Mecosta County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Mecosta County's financial Statements.

NOTE 15 - HOSPITAL RENOVATION

Included in other expenses is \$5,496,767 of expenses relating to costs to renovate, expand, and equip the Mecosta Medical Center (a separate entity).

NOTE 16 - UNRESTRICTED NET ASSETS

The decrease to unrestricted net assets was the direct result of Mecosta County Medical Center emergency and operating room (ER/OR) renovation. Pursuant to the provisions of Act 118, Public Acts of Michigan, 1923, as amended, the qualified electors of the County of Mecosta voted favorably to authorize the issuance of Bonds in the principal amount of \$11,140,000 for the purpose of defraying the cost of renovating, expanding and equipping the Medical Center. Under full accrual, bond proceeds are eliminated in the revenue section and recorded as a liability. Throughout the term of the bond issuance, as proceeds are paid, the liability will decrease. The payment of principal and interest is paid from ad valorem taxes levied on all taxable property in the County.

Required Supplementary Information

County of Mecosta, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Budget Fund Balance, January 1, 2004	3,427,931	3,427,931	3,427,931	-
RESOURCES (INFLOWS):				
Taxes	5,511,340	5,511,340	\$ 5,576,588	\$ 65,248
Licenses & Permits	28,345	28,345	50,680	22,335
Intergovernmental Revenue:				
Federal	180,000	180,000	214,398	34,398
State	1,454,940	1,454,940	1,101,838	(353,102)
Local Units	245,000	245,000	234,168	(10,832)
Charges for Services	1,448,512	1,448,512	1,640,746	192,234
Other Revenue	174,975	174,975	234,306	59,331
Interest on Deposits	200,000	200,000	247,357	47,357
Operating Transfers In	-	-	469,290	469,290
AMOUNTS AVAILABLE FOR APPROPRIATION	12,671,043	12,671,043	13,197,302	526,259
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Legislative:				
Board of Commissioners	348,168	348,168	320,137	28,031
Judicial:				
Circuit Court Probation	5,000	5,000	4,142	858
Circuit Court - Family Division	208,379	216,379	208,815	7,564
49th Circuit Court	418,848	443,848	424,174	19,674
77th District Court	395,739	395,739	402,405	(6,666)
District Court Probation	94,856	94,856	91,725	3,131
Jury Board	7,916	7,916	6,994	922
18th Probate Court	261,934	263,934	258,950	4,984
Total Judicial	1,392,672	1,427,672	1,397,205	30,467
General Government:				
Elections	18,850	18,850	-	18,850
County Clerk	187,609	189,909	184,898	5,011
Register of Deeds	212,690	218,257	196,435	21,822
Drain Commission	90,541	92,061	91,273	788
Equalization	153,159	156,159	155,749	410
County Treasurer	133,747	141,460	141,716	(256)
Cooperative Extension	131,452	131,041	146,883	(15,842)
Central Services	50,080	82,580	71,659	10,921
Mimo & Photocopy	27,000	27,000	17,501	9,499
Courthouse Building & Grounds	414,089	414,089	404,406	9,683
Corporate Counsel	364,524	372,224	342,724	29,500
Audit	40,352	40,352	35,661	4,691
Total General Government	1,824,093	1,883,982	1,788,905	95,077

County of Mecosta, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Public Safety:				
Sheriff	2,273,222	2,273,222	2,219,099	54,123
Marine Patrol	37,500	37,500	28,460	9,040
Emergency Management	37,099	37,099	34,419	2,680
Plat Board	150	150	-	150
Animal Shelter	27,917	27,917	27,917	-
Canine Restraint	500	500	188	312
Animal Control	35,972	35,972	35,337	635
Total Public Safety	2,412,360	2,412,360	2,345,420	66,940
Health & Welfare:				
Communicable Disease	7,000	7,000	5,707	1,293
Medical Examiner	60,425	60,425	48,571	11,854
State Institutions	166,912	166,912	166,912	-
Veterans Burial Services	10,000	10,202	10,202	-
Veterans Affairs	9,632	9,632	7,632	2,000
Total Health & Welfare	253,969	254,171	239,024	15,147
Community & Economic Development:				
Planning & Zoning	74,766	81,763	79,317	2,446
Other Expenditures:				
Appropriations	416,178	427,502	421,401	6,101
Bonds & Insurance	2,219,868	2,222,660	2,076,154	146,506
Contingencies	475,000	391,296	-	391,296
Total Other Expenditures	3,111,046	3,041,458	2,497,555	543,903
Nondepartmental:				
Operating Transfers Out	904,549	904,549	904,549	-
TOTAL CHARGES TO APPROPRIATIONS	10,321,623	10,354,123	9,572,112	782,011
Budgetary Fund Balance, December 31, 2004	\$ 2,349,420	\$ 2,316,920	\$ 3,625,190	\$ 1,308,270

County of Mecosta, Michigan

Required Supplemental Information Budgetary Comparison Schedule Emergency Medical Services Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Budget Fund Balance, January 1, 2004	\$ 760,178	\$ 760,178	\$ 760,177	\$ 1
RESOURCES (INFLOWS):				
Taxes	518,826	518,826	528,896	10,070
Charges for Services	1,406,000	1,406,000	1,457,760	51,760
Interest on Deposits	15,000	15,000	6,499	(8,501)
Other Revenue	34,000	34,000	32,913	(1,087)
AMOUNTS AVAILABLE FOR APPROPRIATION	2,734,004	2,734,004	2,786,245	52,242
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Health & Welfare:				
Emergency Medical Services	1,896,150	1,991,150	1,865,711	125,439
Nondepartmental:				
Operating Transfers Out	(74,500)	(74,500)	(74,500)	-
TOTAL CHARGES TO APPROPRIATIONS	1,970,650	2,065,650	1,940,211	125,439
Budgetary Fund Balance, December 31, 2004	\$ 763,354	\$ 668,354	\$ 846,034	\$ 177,680

County of Mecosta, Michigan

Required Supplemental Information Budgetary Comparison Schedule Revenue Sharing Reserve Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Budget Fund Balance, January 1, 2004	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS):				
Taxes	-	600,000	2,004,196	1,404,196
AMOUNTS AVAILABLE FOR APPROPRIATION	-	600,000	2,004,196	1,404,196
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Nondepartmental:				
Operating Transfers Out	-	(467,167)	(467,167)	-
TOTAL CHARGES TO APPROPRIATIONS	-	(467,167)	(467,167)	-
Budgetary Fund Balance, December 31, 2004	\$ -	\$ 132,833	\$ 1,537,029	\$ 1,404,196

Other Supplemental Information

County of Mecosta, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds							
	Medical First Responders	District Court Alcohol Assessments	District Court Case Flow Management	Friend of the Court	Prosecutor's Drug Forfeitures	Family Counseling	Remonumentation Grant	County Housing Rehab. Program
ASSETS:								
Cash & Investments	\$ 14,323	\$ 3,981	\$ 30,534	\$ 200,904	\$ 1,139	\$ 69,163	\$ -	\$ 9,730
Accounts Receivable	-	-	-	-	-	-	-	-
Grants Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	5,715	142,740	-	-	12,384	-
TOTAL ASSETS	\$ 14,323	\$ 3,981	\$ 36,249	\$ 343,644	\$ 1,139	\$ 69,163	\$ 12,384	\$ 9,730
LIABILITIES:								
Accounts Payable	7,150	-	822	394	18	-	4,598	-
Due to Governmental Units	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	5,260	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	7,150	-	822	5,654	18	-	4,598	-
FUND BALANCES:								
Unreserved	7,173	3,981	35,427	337,990	1,121	69,163	7,786	9,730
TOTAL FUND BALANCES	7,173	3,981	35,427	337,990	1,121	69,163	7,786	9,730
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,323	\$ 3,981	\$ 36,249	\$ 343,644	\$ 1,139	\$ 69,163	\$ 12,384	\$ 9,730

County of Mecosta, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds							
	District Court Tether Program	Building Improvement	Building Department	Drunk Driving	County Wide Voting System	Sheriff's Work Study	Salvage Vehicle Inspection Fee	Register of Deeds Automation
ASSETS:								
Cash & Investments	\$ 8,056	\$ 66,273	\$ 305,867	\$ -	\$ -	\$ 4,027	\$ 3,608	\$ 37,692
Accounts Receivable	-	-	-	-	-	-	-	-
Grants Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Governmental Units	202	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 8,258	\$ 66,273	\$ 305,867	\$ -	\$ -	\$ 4,027	\$ 3,608	\$ 37,692
LIABILITIES:								
Accounts Payable	-	-	7,889	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	4,854	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	12,743	-	-	-	-	-
FUND BALANCES:								
Unreserved	8,258	66,273	293,124	-	-	4,027	3,608	37,692
TOTAL FUND BALANCES	8,258	66,273	293,124	-	-	4,027	3,608	37,692
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,258	\$ 66,273	\$ 305,867	\$ -	\$ -	\$ 4,027	\$ 3,608	\$ 37,692

County of Mecosta, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds							
	D.A.R.E. Program	Township Law Enforcement	Off Road Vehicle (Sheriff)	Jail Maintenance	Drug Law Enforcement	Community Corrections Programs	Law Library	Commission on Aging
ASSETS:								
Cash & Investments	\$ 27,085	\$ 19,848	\$ 368	\$ 52,816	\$ 8,959	\$ 16,207	\$ 8,511	\$ 595,796
Accounts Receivable	-	-	-	-	-	-	-	7,607
Grants Receivable	-	-	-	-	-	-	-	24,846
Taxes Receivable	-	-	-	-	-	-	-	489,827
Due from Governmental Units	-	-	-	-	-	16,821	469	7,281
TOTAL ASSETS	\$ 27,085	\$ 19,848	\$ 368	\$ 52,816	\$ 8,959	\$ 33,028	\$ 8,980	\$ 1,125,357
LIABILITIES:								
Accounts Payable	-	-	-	189	-	4,374	1,374	10,325
Due to Governmental Units	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	572	-	12,555
Deferred Revenue	-	-	-	-	-	-	-	489,827
TOTAL LIABILITIES	-	-	-	189	-	4,946	1,374	512,707
FUND BALANCES:								
Unreserved	27,085	19,848	368	52,627	8,959	28,082	7,606	612,650
TOTAL FUND BALANCES	27,085	19,848	368	52,627	8,959	28,082	7,606	612,650
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,085	\$ 19,848	\$ 368	\$ 52,816	\$ 8,959	\$ 33,028	\$ 8,980	\$ 1,125,357

County of Mecosta, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds							
	Guardianship Fees	FIA Child Care	Stateward Chargeback	Law Enforcement Training	Law Enforcement Block Grant	Secondary Road Patrol	Family Independence Agency	Probate Court Diversion Program
ASSETS:								
Cash & Investments	\$ -	\$ -	\$ -	\$ 6,385	\$ -	\$ -	\$ 78,681	\$ 18,176
Accounts Receivable	-	-	-	-	-	-	-	-
Grants Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	22,090	79,210	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,385</u>	<u>\$ -</u>	<u>\$ 22,090</u>	<u>\$ 157,891</u>	<u>\$ 18,176</u>
LIABILITIES:								
Accounts Payable	-	-	-	-	-	2,784	-	-
Due to Governmental Units	-	-	-	-	-	-	151,097	-
Accrued Liabilities	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	6,670	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,784</u>	<u>157,767</u>	<u>-</u>
FUND BALANCES:								
Unreserved	-	-	-	6,385	-	19,306	124	18,176
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,385</u>	<u>-</u>	<u>19,306</u>	<u>124</u>	<u>18,176</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,385</u>	<u>\$ -</u>	<u>\$ 22,090</u>	<u>\$ 157,891</u>	<u>\$ 18,176</u>

County of Mecosta, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds							
	Soldiers and Sailors Relief	Veterans Trust	Youth Attention Center	Runaway Services	Child Care	Commission on Aging Meals	Emergency Planning Committee	Budget Stabilization
ASSETS:								
Cash & Investments	\$ 29,240	\$ 2,154	\$ -	\$ 5,591	\$ 248,500	\$ 35,546	\$ -	\$ 879,000
Accounts Receivable	-	-	-	-	-	6,266	-	-
Grants Receivable	-	-	-	-	36,315	28,673	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	12,515	5,487	-	-	1,950	-
TOTAL ASSETS	<u>\$ 29,240</u>	<u>\$ 2,154</u>	<u>\$ 12,515</u>	<u>\$ 11,078</u>	<u>\$ 284,815</u>	<u>\$ 70,485</u>	<u>\$ 1,950</u>	<u>\$ 879,000</u>
LIABILITIES:								
Accounts Payable	-	1	201	326	14,491	2,207	-	-
Due to Governmental Units	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	3,582	6,857	-	4,250	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>1</u>	<u>3,783</u>	<u>7,183</u>	<u>14,491</u>	<u>6,457</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Unreserved	<u>29,240</u>	<u>2,153</u>	<u>8,732</u>	<u>3,895</u>	<u>270,324</u>	<u>64,028</u>	<u>1,950</u>	<u>879,000</u>
TOTAL FUND BALANCES	<u>29,240</u>	<u>2,153</u>	<u>8,732</u>	<u>3,895</u>	<u>270,324</u>	<u>64,028</u>	<u>1,950</u>	<u>879,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,240</u>	<u>\$ 2,154</u>	<u>\$ 12,515</u>	<u>\$ 11,078</u>	<u>\$ 284,815</u>	<u>\$ 70,485</u>	<u>\$ 1,950</u>	<u>\$ 879,000</u>

County of Mecosta, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Debt Service Funds			Capital Project Funds			Permanent Fund	
	Jail	Mecosta County	Hopsital	County	Capital	Jail	Bloomfield	
	Expansion	Building Authority	Bond	Building Expansion	Equipment	Renovation	Trust	Totals
ASSETS:								
Cash & Investments	\$ -	\$ 8,525	\$ 247,377	\$ 79,408	\$ 223,986	\$ -	\$ 128,335	\$ 3,475,791
Accounts Receivable	-	-	-	-	-	-	-	13,873
Grants Receivable	-	-	-	-	-	-	-	89,834
Taxes Receivable	-	-	393,724	-	-	-	-	883,551
Due from Governmental Units	-	-	-	1,325	-	-	-	308,189
TOTAL ASSETS	\$ -	\$ 8,525	\$ 641,101	\$ 80,733	\$ 223,986	\$ -	\$ 128,335	\$ 4,771,238
LIABILITIES:								
Accounts Payable	-	-	-	-	-	-	125	57,268
Due to Governmental Units	-	-	-	-	-	-	-	151,097
Accrued Liabilities	-	-	-	-	-	-	-	37,930
Deferred Revenue	-	-	393,724	-	-	-	-	890,221
TOTAL LIABILITIES	-	-	393,724	-	-	-	125	1,136,516
FUND BALANCES:								
Unreserved	-	8,525	247,377	80,733	223,986	-	128,210	3,634,722
TOTAL FUND BALANCES	-	8,525	247,377	80,733	223,986	-	128,210	3,634,722
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 8,525	\$ 641,101	\$ 80,733	\$ 223,986	\$ -	\$ 128,335	\$ 4,771,238

County of Mecosta, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds							
	Medical First Responders	District Court Alcohol Assessments	District Court Case Flow Management	Friend of the Court	Prosecutor's Drug Forfeitures	Family Counseling	Remonumentation Grant	County Housing Rehab. Program
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License & Permits	-	-	-	-	-	-	-	-
Intergovernmental Revenue:								
Federal Sources	-	-	-	343,731	-	-	-	-
State Sources	-	-	10,996	22,544	-	-	43,642	-
Local Sources	-	-	-	18,500	-	-	-	-
Charges for Services	-	-	-	35,961	6,959	3,750	-	-
Interest & Rentals	-	-	-	-	117	-	-	-
Other Revenue	-	-	5,715	1,704	-	-	-	50,783
TOTAL REVENUES	-	-	16,711	422,440	7,076	3,750	43,642	50,783
EXPENDITURES:								
Judicial	-	-	8,183	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	12,562	-	43,642	-
Health and Welfare	97,114	1,208	-	382,828	-	-	-	47,748
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	97,114	1,208	8,183	382,828	12,562	-	43,642	47,748
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(97,114)	(1,208)	8,528	39,612	(5,486)	3,750	-	3,035
OTHER FINANCING SOURCES (USES):								
Premium on Bonds	-	-	-	-	-	-	-	-
Operating Transfers In	74,500	2,000	-	132,599	-	-	4,976	-
Operating Transfers Out	-	-	-	-	-	-	(10,867)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(22,614)	792	8,528	172,211	(5,486)	3,750	(5,891)	3,035
FUND BALANCES, JANUARY 1	29,787	3,189	26,899	165,779	6,607	65,413	13,677	6,695
FUND BALANCES, DECEMBER 31	\$ 7,173	\$ 3,981	\$ 35,427	\$ 337,990	\$ 1,121	\$ 69,163	\$ 7,786	\$ 9,730

County of Mecosta, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds							
	District Court Tether Program	Building Improvement	Building Department	Drunk Driving	County Wide Voting System	Sheriff's Work Study	Salvage Vehicle Inspection Fee	Register of Deeds Automation
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License & Permits	-	-	322,335	-	-	-	-	-
Intergovernmental Revenue:								
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	1,533	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	3,468	-	1,078	-	-	-	3,525	62,350
Interest & Rentals	-	-	2,844	-	-	-	-	-
Other Revenue	-	-	2,664	-	-	-	-	-
TOTAL REVENUES	3,468	-	328,921	1,533	-	-	3,525	62,350
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	74,337
Public Safety	1,196	-	285,120	2,329	-	-	2,409	-
Health and Welfare	-	-	-	-	-	-	-	-
Capital Outlay	-	63,701	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,196	63,701	285,120	2,329	-	-	2,409	74,337
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,272	(63,701)	43,801	(796)	-	-	1,116	(11,987)
OTHER FINANCING SOURCES (USES):								
Premium on Bonds	-	-	-	-	-	-	-	-
Operating Transfers In	-	50,000	35,000	110	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,272	(13,701)	78,801	(686)	-	-	1,116	(11,987)
FUND BALANCES, JANUARY 1	5,986	79,974	214,323	686	-	4,027	2,492	49,679
FUND BALANCES, DECEMBER 31	\$ 8,258	\$ 66,273	\$ 293,124	\$ -	\$ -	\$ 4,027	\$ 3,608	\$ 37,692

County of Mecosta, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds							
	D.A.R.E. Program	Township Law Enforcement	Off Road Vehicle (Sheriff)	Jail Maintenance	Drug Law Enforcement	Community Corrections Programs	Law Library	Commission on Aging
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 475,402
License & Permits	-	-	-	-	-	-	-	-
Intergovernmental Revenue:								
Federal Sources	-	-	-	-	-	-	-	142,525
State Sources	-	-	-	-	-	73,130	-	80,096
Local Sources	-	3,974	-	-	-	-	-	-
Charges for Services	-	-	-	52,396	1,137	130	5,792	31,246
Interest & Rentals	-	-	-	-	94	-	-	8,134
Other Revenue	25,660	-	-	-	-	-	-	44,903
TOTAL REVENUES	25,660	3,974	-	52,396	1,231	73,260	5,792	782,306
EXPENDITURES:								
Judicial	-	-	-	-	-	-	13,115	-
General Government	-	-	-	-	-	-	-	-
Public Safety	13,590	4,820	606	40,585	-	71,151	-	-
Health and Welfare	-	-	-	-	-	-	-	676,209
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	13,590	4,820	606	40,585	-	71,151	13,115	676,209
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,070	(846)	(606)	11,811	1,231	2,109	(7,323)	106,097
OTHER FINANCING SOURCES (USES):								
Premium on Bonds	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	5,000	7,500	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	12,070	(846)	(606)	11,811	1,231	7,109	177	106,097
FUND BALANCES, JANUARY 1	15,015	20,694	974	40,816	7,728	20,973	7,429	506,553
FUND BALANCES, DECEMBER 31	\$ 27,085	\$ 19,848	\$ 368	\$ 52,627	\$ 8,959	\$ 28,082	\$ 7,606	\$ 612,650

County of Mecosta, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Speical Revenue Funds							
	Guardianship Fees	FIA Child Care	Stateward Chargeback	Law Enforcement Training	Law Enforcement Block Grant	Secondary Road Patrol	Family Independence Agency	Probate Court Diversion Program
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License & Permits	-	-	-	-	-	-	-	-
Intergovernmental Revenue:								
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	4,965	-	80,525	333,758	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	177,020	-
Interest & Rentals	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	4,965	-	80,525	510,778	-
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	6,979	-	81,887	-	-
Health and Welfare	-	-	-	-	-	-	515,479	8,577
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	6,979	-	81,887	515,479	8,577
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	(2,014)	-	(1,362)	(4,701)	(8,577)
OTHER FINANCING SOURCES (USES):								
Premium on Bonds	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	6,648	4,450	13,000
Operating Transfers Out	(1,735)	-	-	-	(388)	(5,040)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(1,735)	-	-	(2,014)	(388)	246	(251)	4,423
FUND BALANCES, JANUARY 1	1,735	-	-	8,399	388	19,060	375	13,753
FUND BALANCES, DECEMBER 31	\$ -	\$ -	\$ -	\$ 6,385	\$ -	\$ 19,306	\$ 124	\$ 18,176

County of Mecosta, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds							
	Soldiers and Sailors Relief	Veterans Trust	Youth Attention Center	Runaway Services	Child Care	Commission on Aging Meals	Emergency Planning Committee	Budget Stabilization
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License & Permits	-	-	-	-	-	-	-	-
Intergovernmental Revenue:								
Federal Sources	-	-	-	-	50,041	129,934	8,876	-
State Sources	-	715	12,332	-	135,046	37,950	-	-
Local Sources	-	-	-	-	763	-	-	-
Charges for Services	-	-	26,507	105,833	9,038	39,779	-	-
Interest & Rentals	-	-	-	-	-	729	-	-
Other Revenue	-	-	-	-	-	83,583	-	-
TOTAL REVENUES	-	715	38,839	105,833	194,888	291,975	8,876	-
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	33,832	103,773	-	-	13,401	-
Health and Welfare	569	151	-	-	446,413	329,214	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	569	151	33,832	103,773	446,413	329,214	13,401	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(569)	564	5,007	2,060	(251,525)	(37,239)	(4,525)	-
OTHER FINANCING SOURCES (USES):								
Premium on Bonds	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	545	-	400,000	4,000	3,823	-
Operating Transfers Out	-	-	-	-	-	-	(1,603)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(569)	564	5,552	2,060	148,475	(33,239)	(2,305)	-
FUND BALANCES, JANUARY 1	29,809	1,589	3,180	1,835	121,849	97,267	4,255	879,000
FUND BALANCES, DECEMBER 31	\$ 29,240	\$ 2,153	\$ 8,732	\$ 3,895	\$ 270,324	\$ 64,028	\$ 1,950	\$ 879,000

County of Mecosta, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Debt Service Funds			Capital Project Funds			Permanent Fund	
	Mecosta County			County	Capital	Jail	Bloomfield	
	Jail	Building	Hospital	Building	Equipment	Renovation	Trust	Totals
	Expansion	Authority	Bond	Expansion				
REVENUES:								
Taxes	\$ -	\$ -	\$ 481,853	\$ -	\$ -	\$ -	\$ -	\$ 957,255
License & Permits	-	-	-	-	-	-	-	322,335
Intergovernmental Revenue:								
Federal Sources	-	-	-	-	-	-	-	675,107
State Sources	-	-	-	-	-	-	-	837,232
Local Sources	-	-	-	-	-	-	-	23,237
Charges for Services	-	-	-	27,900	20	-	-	593,889
Interest & Rentals	-	-	2,909	-	-	-	5,952	20,779
Other Revenue	-	-	-	-	-	-	4,249	219,261
TOTAL REVENUES	-	-	484,762	27,900	20	-	10,201	3,649,095
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	21,298
General Government	-	-	-	-	-	-	-	74,337
Public Safety	-	-	-	-	-	-	-	717,882
Health and Welfare	-	-	-	-	-	-	10,158	2,515,668
Capital Outlay	-	-	-	-	269,713	-	-	333,414
Debt Service	156,069	114	287,686	-	-	-	-	443,869
TOTAL EXPENDITURES	156,069	114	287,686	-	269,713	-	10,158	4,106,468
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(156,069)	(114)	197,076	27,900	(269,693)	-	43	(457,373)
OTHER FINANCING SOURCES (USES):								
Premium on Bonds	-	-	50,301	-	-	-	-	50,301
Operating Transfers In	156,042	-	-	-	250,000	-	-	1,150,193
Operating Transfers Out	-	-	-	-	-	-	-	(19,633)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(27)	(114)	247,377	27,900	(19,693)	-	43	723,488
FUND BALANCES, JANUARY 1	27	8,639	-	52,833	243,679	-	128,167	2,911,234
FUND BALANCES, DECEMBER 31	\$ -	\$ 8,525	\$ 247,377	\$ 80,733	\$ 223,986	\$ -	\$ 128,210	\$ 3,634,722

County of Mecosta, Michigan

Combining Statement of Net Assets Internal Service Funds December 31, 2004

	Central Stores	Equalization Revolving	Mailing Department	Health Benefits Self- Insurance	Totals
ASSETS:					
Cash & Investments	\$ 89	\$ 18,164	\$ 2,699	\$ -	\$ 20,952
Accounts Receivable	-	19,948	-	-	19,948
TOTAL ASSETS	<u>\$ 89</u>	<u>\$ 38,112</u>	<u>\$ 2,699</u>	<u>\$ -</u>	<u>\$ 40,900</u>
LIABILITIES & NET ASSETS					
LIABILITIES:					
Accounts Payable	\$ -	\$ 109	\$ -	\$ -	\$ 109
Due to Other Funds	-	8,990	-	-	8,990
TOTAL LIABILITIES	<u>-</u>	<u>9,099</u>	<u>-</u>	<u>-</u>	<u>9,099</u>
NET ASSETS:					
Unrestricted	<u>89</u>	<u>29,013</u>	<u>2,699</u>	<u>-</u>	<u>31,801</u>
TOTAL NET ASSETS	<u>89</u>	<u>29,013</u>	<u>2,699</u>	<u>-</u>	<u>31,801</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 89</u>	<u>\$ 38,112</u>	<u>\$ 2,699</u>	<u>\$ -</u>	<u>\$ 40,900</u>

County of Mecosta, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Funds For the Year Ended December 31, 2004

	Central Stores	Equalization Revolving	Mailing Department	Health Benefits Self- Insurance	Totals
OPERATING REVENUES:					
Charges for Services	\$ 16,097	\$ 31,528	\$ 27,520	\$ -	\$ 75,145
TOTAL OPERATING REVENUES	16,097	31,528	27,520	-	75,145
OPERATING EXPENSES:					
Supplies	16,194	3,619	-	-	19,813
Postage	-	10,481	26,000	-	36,481
Other services and charges	-	12,237	-	-	12,237
Total Operating Expenses	16,194	26,337	26,000	-	68,531
OPERATING INCOME (LOSS)	(97)	5,191	1,520	-	6,614
NON-OPERATING REVENUES (EXPENSES):					
Operating Transfers Out	-	-	-	(12,183)	(12,183)
Total Non-Operating Revenues (Expenses)	-	-	-	(12,183)	(12,183)
CHANGE IN NET ASSETS	(97)	5,191	1,520	(12,183)	(5,569)
NET ASSETS, JANUARY 1	186	23,822	1,179	12,183	37,370
NET ASSETS, DECEMBER 31	\$ 89	\$ 29,013	\$ 2,699	\$ -	\$ 31,801

County of Mecosta, Michigan

Combining Statement of Cash Flows Internal Service Funds For the Year Ended December 31, 2004

	Central Stores	Equalization Revolving	Mailing Department	Health Benefits Self- Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 16,097	\$ 11,580	\$ 27,520	\$ -	\$ 55,197
Payments to Suppliers	(17,223)	(26,244)	(26,000)	-	(69,467)
Internal Activity - Payments/Receipts with Other Funds	-	8,990	-	-	8,990
Net Cash Provided (Used) by Operating Activities	(1,126)	(5,674)	1,520	-	(5,280)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating transfers out	-	-	-	(12,183)	(12,183)
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-	(12,183)	(12,183)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,126)	(5,674)	1,520	(12,183)	(17,463)
Balances - Beginning of the Year	1,215	23,838	1,179	12,183	38,415
Balances - End of the Year	<u>\$ 89</u>	<u>\$ 18,164</u>	<u>\$ 2,699</u>	<u>\$ -</u>	<u>\$ 20,952</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (97)	\$ 5,191	\$ 1,520	\$ -	\$ 6,614
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Change in Assets and Liabilities:					
Accounts Receivable	-	(19,948)	-	-	(19,948)
Due to Other Funds	-	8,990	-	-	8,990
Accounts Payable	(1,029)	93	-	-	(936)
Net Cash Provided (Used) by Operating Activities	<u>(1,126)</u>	<u>(5,674)</u>	<u>1,520</u>	<u>-</u>	<u>(5,280)</u>

County of Mecosta, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds December 31, 2004

	Prescription Health Plan	Plat Review	Public Works	Totals
ASSETS:				
Cash & Investments	\$ 2,328	\$ 3,678	\$ 540	6,546
TOTAL ASSETS	<u>\$ 2,328</u>	<u>\$ 3,678</u>	<u>\$ 540</u>	<u>\$ 6,546</u>
LIABILITIES:				
Accounts Payable	\$ 13	\$ -	\$ -	13
TOTAL LIABILITIES	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>
NET ASSETS:				
Unrestricted	<u>2,315</u>	<u>3,678</u>	<u>540</u>	<u>6,533</u>
TOTAL NET ASSETS	<u>2,315</u>	<u>3,678</u>	<u>540</u>	<u>6,533</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,328</u>	<u>\$ 3,678</u>	<u>\$ 540</u>	<u>\$ 6,546</u>

County of Mecosta, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds For the Year Ended December 31, 2004

	Prescription Health Plan	Plat Review Fees	Public Works	Totals
OPERATING REVENUES:				
Charges for Services	\$ 1,441	\$ 988	\$ -	\$ 2,429
TOTAL OPERATING REVENUES	<u>1,441</u>	<u>988</u>	<u>-</u>	<u>2,429</u>
OPERATING EXPENSES:				
Supplies	2	-	-	2
Postage	136	-	-	136
Other Services and Charges	1,500	150	460	2,110
Total Operating Expenses	<u>1,638</u>	<u>150</u>	<u>460</u>	<u>2,248</u>
OPERATING INCOME (LOSS)	<u>(197)</u>	<u>838</u>	<u>(460)</u>	<u>181</u>
NON-OPERATING REVENUES (EXPENSES):				
Operating Transfers In	1,000	-	1,000	2,000
Total Non-Operating Revenues (Expenses)	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>2,000</u>
CHANGE IN NET ASSETS	803	838	540	2,181
NET ASSETS, JANUARY 1	<u>1,512</u>	<u>2,840</u>	<u>-</u>	<u>4,352</u>
NET ASSETS, DECEMBER 31	<u>\$ 2,315</u>	<u>\$ 3,678</u>	<u>\$ 540</u>	<u>\$ 6,533</u>

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2004**

	Prescription Health Plan	Plat Review	Public Works	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 1,441	\$ 988	\$ -	\$ 2,429
Payments to Suppliers	(1,625)	(150)	(460)	(2,235)
Net Cash Provided (Used) by Operating Activities	(184)	838	(460)	194
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers in	1,000	-	1,000	2,000
Net Cash Provided (Used) by Noncapital Financing Activities	1,000	-	1,000	2,000
Net Increase (Decrease) in Cash and Cash Equivalents	816	838	540	2,194
Balances - Beginning of the Year	1,512	2,840	-	4,352
Balances - End of the Year	<u>\$ 2,328</u>	<u>\$ 3,678</u>	<u>\$ 540</u>	<u>\$ 6,546</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (197)	\$ 838	\$ (460)	\$ 181
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
Accounts Payable	13	-	-	13
Net Cash Provided (Used) by Operating Activities	<u>\$ (184)</u>	<u>\$ 838</u>	<u>\$ (460)</u>	<u>\$ 194</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Honorable Chairman and Members of
The Board of Commissioners
Mecosta County
Big Rapids, Michigan 49307

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecosta, Michigan, except for the Park Commission, the Road Commission and the Mecosta Osceola County Area Transit which were audited by other auditors, as of and for the year ended, December 31, 2004, which collectively comprise the County of Mecosta, Michigan's basic financial statements and have issued our report thereon dated April 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Mecosta, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Chairman and Members
of the Board of Commissioners
County of Mecosta, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Mecosta, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

April 6, 2005



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Honorable Chairman and Members of
the Board of Commissioners
Mecosta County
Big Rapids, Michigan 49307

Compliance

We have audited the compliance of the County of Mecosta, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County of Mecosta, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Mecosta, Michigan's management. Our responsibility is to express an opinion on the County of Mecosta, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Mecosta, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Mecosta, Michigan's compliance with those requirements.

In our opinion, the County of Mecosta, Michigan complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Honorable Chairman and Members
of the Board of Commissioners
County of Mecosta, Michigan

Internal Control Over Compliance

The management of the County of Mecosta, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Mecosta, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants, caused by error or fraud, that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

April 6, 2005

County of Mecosta, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2004

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U. S. DEPARTMENT OF JUSTICE:			
Direct Awards:			
United States Marshall Services	16.XXX	-	144,821
Subtotal - Direct Awards			144,821
Pass-through programs from the Michigan Department of Human Services:			
Juvenile Accountability Incentive Block Grant	16.540	JAIBG-03-54001	1,446
Juvenile Accountability Incentive Block Grant	16.523	JAIBG-03-54001	4,313
Juvenile Accountability Incentive Block Grant	16.523	JABGN-04-54001	44,282
Subtotal - MDHS			50,041
Total U.S. Department of Justice			194,862
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-through programs from the Michigan Department of State Police, Emergency Management Division:			
Emergency Management Performance Grants 10/01/03-09/30/04	97.042	-	14,293
Emergency Management Performance Grants 10/01/04-09/30/05	97.042	-	4,764
State Homeland Security Grant Program - Exercise Grant 4/01/03-3/31/05	97.004	-	6,868
FEMA 02 Supp Grant	97.051	-	300
Total U.S. Department of Homeland Security			26,225
UNITED STATES DEPARTMENT OF TRANSPORTATION			
Pass-through programs from the Michigan Department of Transportation:			
Operating Grant - Section 5311	20.509	02-0067Z11/R3	42,376
Operating Grant - Section 5311	20.509	02-0097Z6/R3	36,937
Section 5310	20.205	MI-16-0028	64,694
Road Project - State Administered (see note C)	20.205	-	126,830
Subtotal - MDOT			270,837

County of Mecosta, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2004

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Pass-through programs from the Michigan Department of State Police, Emergency Management Division:			
HEMP Grant 2002-2003	20.503	-	260
HEMP Grant 2003-2004	20.503	-	1,448
			<u>1,708</u>
Total U.S. Department of Transportation			<u>272,545</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-through programs from the Michigan Department of Human Services:			
Friend of Court Federal Incentive	93.560	-	96,868
PA CRP Title IV-D - 10/1/03 to 9/30/04	93.563	CS/PA-03-54002	29,892
PA CRP Title IV-D - 10/1/04 to 9/30/05	93.563	CS/PA-05-54002	11,096
FOC CRP Title IV-D - 10/1/03 to 9/30/04	93.563	CS/FOC-01-54001-3	160,654
FOC CRP Title IV-D - 10/1/04 to 9/30/05	93.563	CS/FOC-05-54001-01	66,003
Medical Support Title IV-D - 10/1/04 to 9/30/05	93.563	CS/MED-04-54001	20,206
Title IV-E	93.568	PROFC-00-54001-4	9,532
			<u>394,251</u>
Subtotal - MDHS			
Pass-through programs (Aging Cluster) from Area Agency on Aging of Western Michigan, Inc. (AAAWM)			
Assisted Transportation, Title IIIB - 10/1/03 to 9/30/04	93.044	61.72	14,513
Assisted Transportation, Title IIIB - 10/1/04 to 9/30/05	93.044	61.72	10,120
Homemaker Aide, Title IIIB - 10/1/03 to 9/30/04	93.044	61.72	12,091
Outreach Assistance, Title IIIB - 10/1/03 to 9/30/04	93.044	61.72	7,982
Outreach Assistance, Title IIIB - 10/1/04 to 9/30/05	93.044	61.72	2,808
Congregate Meals - Title IIIC-1, 10/1/03 to 9/30/04	93.045	61.72	19,137
Congregate Meals - Title IIIC-1, 10/1/04 to 9/30/05	93.045	61.72	3,862
Home Delivered Meals - Title IIIC-2, 10/1/03 to 9/30/04	93.045	61.72	65,139
Home Delivered Meals - Title IIIC-2, 10/1/03 to 9/30/04	93.045	61.72	14,343
Federal Respite 10/01/03-09/30/04	93.052	61.72	17,830
Congregate and Home-Delivered Meal Assistance 10/01/03-09/30/04	93.053	61.72	22,613
Congregate and Home-Delivered Meal Assistance 10/01/04-09/30/05	93.053	61.72	4,840
Medicaid Waiver 10/1/03-9/30/04	93.778	-	8,907
Medicaid Waiver 10/1/04-9/30/05	93.778	-	3,580
			<u>207,765</u>
Subtotal - AAWM			
Total U.S. Department of Health and Human Services			<u>602,016</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,095,648</u></u>

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Mecosta, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B - OVERSIGHT AGENCY:

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Justice which provided the greatest amount of direct awards to the County during 2004.

NOTE C - FEDERAL GRANTS – ROAD COMMISSION:

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended December 31, 2004, the Federal aid received and expended by the Road Commission was \$126,830 for contracted projects. Contracted projects are defined as projects performed by private contractors that are paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commission, as they are included in MDOT's single audit.

NOTE D - RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Revenue from federal sources – As reported on financial statements (includes all funds)	\$ 968,818
Add component units revenue from federal sources included in the statement of net assets on the basic financial statements.	<u>126,830</u>
Federal expenditures per the schedule of expenditures of federal awards.	<u>\$ 1,095,648</u>

Section A - Summary of Auditors' Results**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Reportable conditions identified
that are not considered to be
material weaknesses? No

Noncompliance material to financial
statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Reportable conditions identified
that are not considered to be
material weaknesses? No

Type of auditors' report issued on
compliance for major programs: Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? No

Identification of Major Programs**CFDA NUMBERS****Name of Federal Program or Cluster**

93.563 Child Support – Prosecuting Attorney
93.563 Child Support – Friend of the Court

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS – AUDITS OF FEDERAL AWARD PROGRAMS

NONE

NONE

Additional Information

MECOSTA COUNTY, MICHIGAN

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Honorable Chairman and
Members of the Board of Directors
Mecosta County
Big Rapids, Michigan

Our report on our audit of the basic financial statements of County of Mecosta, Michigan, as of and for the year ended December 31, 2004, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

April 6, 2005

**NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURES
EQUIREMENTS:**

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC disclosure requirements. As of December 31, 2004, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$2,000,000 Mecosta County Building Authority, General Obligation Limited Tax Bonds, Series 2001.
2. \$11,140,000 Mecosta County 2004 Hospital Bonds.

NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12.

A. POPULATION

1970 U.S. Census	27,992	1990 U.S. Census	37,308
1980 U.S. Census	39,961	2000 U.S. Census	40,553
		2004 Estimated.....	41,728

Source: U.S. Department of Commerce – Bureau of Census and County of Mecosta.

B. HISTORY OF PROPERTY VALUATIONS

<u>Year</u>	<u>State Equalized Valuation</u>	<u>Taxable Value**</u>
2004	\$ 1,393,931,479	\$ 1,002,097,921
2003	1,283,594,382	938,775,724
2002	1,162,481,476	881,500,594
2001	1,047,075,582	813,956,359
2000	920,582,843	756,514,669
1999	844,867,048	718,867,063
1998	788,835,414	678,711,282
1997	719,370,749	641,777,690
1996	671,037,738	616,531,654
1995	601,443,494	589,425,781
1994	566,085,156	Not applicable
1993	537,930,185	Not applicable
1992	506,663,250*	Not applicable

NOTE 2 - TABLES: (Continued)

B. HISTORY OF PROPERTY VALUATIONS (Continued)

* In April, 1991, the Michigan Legislature adopted Public Act 15 of 1991 which temporarily froze assessed values on existing real property in 1992 by requiring that the assessment as equalized for the 1991 tax year be used on the 1992 assessment roll and be adjusted only to reflect additions, losses, splits and combinations. Public Act 15 was effective May 1, 1991.

** Beginning in 1995, ad valorem millage is levied on the Taxable Value rather than the State Equalized Valuation.

An analysis of Taxable Value is as follows:

	BY CLASS		
	2004	2003	2002
Real Property	\$ 903,949,670	\$ 846,385,592	\$ 795,123,496
Personal Property	98,148,251	92,390,132	86,377,308
TOTAL	\$ 1,002,097,921	\$ 938,775,724	\$ 881,500,804

	BY USE		
	2004	2003	2002
Residential	\$ 694,015,886	\$ 643,567,506	\$ 603,335,651
Agricultural	105,187,824	100,416,782	94,020,453
Commercial	83,973,532	81,768,323	78,564,345
Industrial	20,772,428	20,632,981	19,203,047
Timber/Cutover	-	-	-
Personal Property	98,148,251	92,390,132	86,377,098
TOTAL	\$ 1,002,097,921	\$ 938,775,724	\$ 881,500,594

Source: County of Mecosta.

County of Mecosta, Michigan

**Additional Information - Unaudited
December 31, 2004**

NOTE 2 - TABLES: (Continued)

C. MAJOR TAXPAYERS

According to County officials, the 2004 State Equalized Valuation and the 2004 Taxable Value of each of the County's major taxpayers is as follows:

Name of Taxpayer	2004 State Equalized Valuation	2004 Taxable Value
Consumers Energy	\$ 17,927,800	\$ 17,705,924
Michigan Consolidated Gas Co.	10,791,400	10,055,956
Mid Michigan Gas Storage Co.	10,258,000	8,663,800
ANR Pipeline Company	9,368,600	9,361,399
Meijer, Inc.	9,232,100	8,188,101
Federal Screw Works	8,775,200	9,775,200
Michigan DNR	8,699,800	-
Nestle Waters North America	7,090,500	6,841,375
Agree Limited Partnership	5,937,900	5,168,708
Wal-mart Stores	5,444,600	5,133,547
Leprino Foods Company	-	2,911,000

Source: Mecosta County Equalization Department.

D. TAX RATES

(Per \$1,000 of Taxable Value)

	2004	2003	2002	2001
County of Mecosta - Operating	\$ 6.000	\$ 5.7909	\$ 5.8565	\$ 5.8978
- Commission on Aging	0.4888	0.4944	0.5000	0.4914
- Ambulance	0.5000	0.5500	0.5500	0.5500
- Hospital	0.3929	0.5000	-	-
TOTAL	<u>\$ 7.3817</u>	<u>\$ 7.3353</u>	<u>\$ 6.9065</u>	<u>\$ 6.9392</u>

Source: County of Mecosta.

NOTE 2 - TABLES: (Continued)**E. TAX LEVIES AND COLLECTIONS**

<u>Year</u>	<u>Tax Levy</u>	<u>Collections to March 1 of Following Year</u>	
2004	\$ 6,141,000	\$ 5,037,956	82.04%
2003	5,436,356	4,497,354	82.73%
2002	5,162,508	4,271,513	82.74%
2001	4,800,552	3,844,547	80.08%
2000	4,566,433	4,056,512	88.00%
1999	4,368,626	3,851,943	88.17%
1998	4,074,976	3,610,390	88.60%
1997	3,782,238	3,362,920	88.91%
1996	3,630,093	2,732,586	75.28%
1995	3,469,042	3,030,010	87.34%
1994	3,313,953	2,871,947	86.66%
1993	3,167,580	2,633,216	83.13%
1992	3,039,979	2,448,546	80.54%
1991	3,641,105	3,029,492	83.20%

Source: Treasurer, County of Mecosta.

F. REVENUES FROM THE STATE OF MICHIGAN

The County receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended (the "Revenue Sharing Act"). The table appearing at the end of this section shows State revenue sharing distributions received by the County during the County's past five fiscal years, and the estimated receipts for the County's 2004 fiscal year.

The State's fiscal year begins October 1 of each year and ends September 30 of the following calendar year. Before the State's 1996-97 fiscal year, the State shared revenues received from personal income tax, intangibles tax, sales tax and single business tax collections with counties, cities, townships and villages. In 1996, the State legislature began reform of both the formula for distribution of State revenue sharing and the designated sources of revenue to be shared. At that time, the State expressly designated the revenues of the sales tax as the sole source for revenue sharing.

At the end of calendar year 1998, the Legislature again amended the Revenue Sharing Act to accomplish the following:

NOTE 2 - TABLES: (Continued)**F. REVENUES FROM THE STATE OF MICHIGAN (Continued)**

- To freeze payments to the City of Detroit for 8.5 years at 1997-98 levels.
- To create a three-part formula for distribution to all other cities, villages and townships.
- To re-adjust the percent share of statutory distributions from 24.5% for counties and 75.5% to cities, villages and townships, to 25.06% for counties and 74.94% to cities, villages and townships.
- To limit the annual increase in distributions to any one city, village or township to 8% of the previous year's distribution.
- To provide for an 8.5 year phase-in of the new formulas, beginning in the State's fiscal year ending September 30, 1999.
- To create an artificial sunset of the statute by including language that revenue sharing after June 30, 2007 will be distributed "as provided by law".

The sales tax revenues come from a 6% State levy on retail sales (other than sales of items such as food and drugs). The State Constitution limits the rate of sales tax to 6%, and dedicates 100% of the revenue of sales tax imposed at a rate of 2% to the State School Aid Fund. The State Constitution further mandates that 15% of the total revenues collected from sales taxes levied at the remaining 4% be distributed to townships, cities and villages. The Revenue Sharing Act distributes an additional 21.3% of those revenues to Michigan municipalities. The State's ability to make revenue sharing payments to the County in the amounts and at the times specified in the Revenue Sharing Act is subject to the State's overall financial condition and its ability to finance any temporary cash flow deficiencies.

Beginning with the State fiscal year ending September 30, 1999, through June 30, 2007, the County will receive its pro rata share determined per capita of the following amount:

25.06% of 21.3% of the difference between the sales tax collections at a rate of 4% in the 12-month period ending June 30 of the state fiscal year in which the payments are made and \$31,926,947.32.

The County's receipts could therefore vary depending on the population of the County compared to the population in the State as a whole.

NOTE 2 - TABLES: (Continued)**F. REVENUES FROM THE STATE OF MICHIGAN (Continued)**

In addition to payments of revenue sharing monies, the State pays the County to support judges' salaries, as well as other miscellaneous grants.

Revenue sharing payments and other monies paid to municipalities (other than the portion which is mandated by the State constitution) are subject to annual appropriation by the State legislature, and may be reduced or delayed by Executive Order during any fiscal year in which the Governor, with the approval of the legislature's appropriation committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based. For fiscal year 2003-2004, Governor Granholm announced such an executive budget reduction of revenue sharing payments to counties by approximately 5%. Such reduction is to be redivided proportionate per local units.

The following table sets forth the annual revenue sharing payments and other monies received by the County for the fiscal years ended December 31, 1996 through December 31, 2003 and the currently anticipated revenue sharing payments to be received in the fiscal year ended December 31, 2004:

<u>Fiscal Year Ending December 31</u>	<u>Revenue Sharing Payments</u>
2003	661,299
2002	838,999
2001	802,847
2000	736,834
1999	776,096
1998	766,022
1997	742,508
1996	692,913

MORE CURRENT DEVELOPMENTS

In 2004, Public Act 357 of 2004 was enacted. This Act provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, requires the establishment of a restricted fund, the Revenue sharing Reserve Fund. The shift of property tax collection and the creation of the restricted Revenue Sharing Reserve Fund are based on county operating millages only – not special millages.

NOTE 2 - TABLES: (Continued)

F. REVENUES FROM THE STATE OF MICHIGAN (Continued)

Per the Public Act 357 of 2004, the gradual shift from a winter tax levy to a summer tax levy will occur as follows:

- In 2005, 1/3 of the county's allocated mills will be levied in the summer.
- In 2006, 2/3 of the county's allocated mills will be levied in the summer.
- In 2007, and each year after, all of the county's allocated mills will be levied in the summer.

Mecosta County established a Revenue Sharing Reserve Fund in 2004. Three payments, the sum total of which equals the county's December 2004 property tax levy, must be placed in the fund from the following:

- 1/3 from the county's December 2004 property tax levy
- 1/3 from the county's December 2005 property tax levy
- 1/3 from the county's December 2006 property tax levy

Annually Mecosta County may make use of the Revenue Sharing Reserve Fund in amounts equal to its October 1, 2003 through September 30, 2004 Revenue Sharing payments adjusted for inflation. The inflation rate is defined by MCL 211.34d(1)(1).

On January 2, 2006 and each year thereafter, Mecosta County will be able to withdraw from the Revenue Sharing Reserve Fund an amount equal to the total amount able to be withdrawn in the prior year, increased by the CPI and not affected by any Executive Orders issued after April 2, 2004.

The fiscal year 2004 allowable spending amount is \$467,167.

The fiscal year 2005 allowable spending amount is \$724,778.

NOTE 2 - TABLES: (Continued)**F. REVENUES FROM THE STATE OF MICHIGAN (Continued)****RECENT DEVELOPMENTS:**

Until December 2002, revenue sharing payments were distributed in accordance with the 1998 amendments. However, consistent with the downturn in the national economy, the State is currently experiencing an economic slowdown which has resulted in reductions in anticipated sales tax revenues. In response, the Michigan legislature and outgoing Governor John Engler took several steps to reduce the amount of the State's statutory revenue sharing payments to local governments in order to bring the state's fiscal year 2003 general fund budget into balance. On December 5, 2002, outgoing Governor John Engler issued executive Order No. 2002-22 implementing certain spending reductions in order to bring the State's fiscal year 2003 general fund budget into balance. The Executive Order included a \$53.1 million reduction in payment to local governments, including a 3.5% reduction in revenue sharing payments previously appropriated by the legislature, as well as an additional \$9.9 million reduction in certain grants to local governments in respect of statutory revenue sharing shortfalls. On December 31, 2002, outgoing Governor Engler signed into law Act 679, Public Acts of Michigan, 2002 ("Act 679"), a corresponding amendment to the Revenue Sharing Act to codify the reduction in statutory revenue sharing payments to local governments otherwise established by the 1998 amendments. Act 679 resulted in the following:

- Adjusted the distribution to be received by the City of Detroit in State fiscal year 2002-03 only, from a combined constitutional and statutory payment of \$333.9 million (the 1997-98 levels) to a combined payment of \$3,222.2 million.
- For State Fiscal year 2002-03 only, adjusted the distribution to be received by all other cities, villages and townships to 96.5% of the amount the municipalities would have received if the 1998 formula were applied to calculate the 2002-03 distributions.
- Capped the total amount of revenue sharing payments available for distribution to cities, villages and townships at \$936.2 million, and the total amount available for distribution to all counties at \$204.1 million.
- Extends the sunset of the statute from June 30, 2007 until September 30, 2007 so as to make it consistent with the end of the State's fiscal year.
- Did not adjust formulas for distribution established under 1998 amendments.

NOTE 2 - TABLES: (Continued)**F. REVENUES FROM THE STATE OF MICHIGAN (Continued)**

On February 19, 2003, in response to continuing declines in the State's revenue estimates, Governor Jennifer Granholm issued Executive Order No. 1003-03 which approved of a further \$145 million in spending reductions in order to again bring the State's fiscal year 2003 general fund budget into balance. No further reduction to payments to local governments were included within Executive Order No. 2003-03.

State estimates for actual revenues for fiscal year 2003-04 continue to fall below the revenue estimates upon which the appropriations for the fiscal year were based. As a result, on December 10, 2003, Governor Granholm issued Executive Order No. 2003-23 implementing additional spending reductions in order to bring the State's fiscal year 2004 general fund budget into balance. The Executive Order included an additional \$72 million reduction in payments to local governments, including a 3.0% reduction in revenue sharing payments previously appropriated by the Legislature in respect of statutory revenue sharing shortfalls. Governor Granholm indicated that the Executive Order was predicated on enactment of proposed Senate Bill 852 that would amend Act 281, Public Acts of Michigan, 1967, as amended (the "Income Tax Act"), to delay until July 1, 2004 a previously authorized rollback of the State's income tax (from 4% to 3.9%) scheduled to take effect on January 1, 2004. On December 19, 2003, the Legislature approved Senate Bill 852 which, together with the Executive Order, bring the State's fiscal year 2004 general fund budget back into balance.

On December 10, 2003, the Governor issued the above-described Executive Order No. 2003-03, which became effective on the same day upon approval by the appropriations committees of the Michigan Senate and House of Representatives, cutting General Fund appropriations approximately \$380 million. Included in the proposed budgets is a 3% reduction in the County's appropriations. The Executive Order is based on the assumption that other actions will be taken to increase projected revenues to make expenditures reductions in other areas. In addition, the Department of Treasury has issued a statement saying Michigan Counties will not receive revenue sharing payments in 2004-2005.

NOTE 2 - TABLES: (Continued)

G. INDUSTRIAL FACILITIES TAX

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended) ("Act 198") provides significant property tax incentives to industry to renovate and expand aging industrial facilities and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities.

Property owners situated in such districts pay an Industrial Facilities Tax ("IFT") in lieu of ad valorem property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the IFT is determined by calculating the product of the state equalized valuation of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. For abatements granted prior to January 1, 1994, new plant and equipment is taxed at one-half the total mills levied by all taxing units, except for mills levied for local school district operating purposes or under the State Education Tax Act, plus one-half the number of mills levied for local school district operating purposes in 1993. For new facility abatements granted after 1993, new plant and equipment is taxed at one-half of the total mills levied as ad valorem taxes by all taxing units, except mills levied under the State Education Tax Act, plus the number of mills levied under the State Education Tax Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land and inventory are not reduced in any way since both land and inventory are specifically excluded under Act 198.

The County has 15 IFT exemption certificates currently outstanding, aggregating \$64,256,300 in 2004 Equivalent Taxable Value.

NOTE 2 - TABLES: (Continued)

H. GENERAL FUND – FUND BALANCE

The County's General Fund fund balance for the last five years has been as follows:

<u>Fiscal Year Ending December 31</u>	<u>Fund Balance</u>
2004	\$ 3,625,190
2003	3,427,931
2002	3,405,482
2001	3,497,242
2000	2,849,807

In addition to the General Fund, Mecosta County has a special revenue Budget Stabilization Fund. The current balance is \$879,000.

Source: County of Mecosta audited financial statements.

I. DEBT STATEMENT

(As of January 1, 2004, including the bonds described herein)

	<u>Gross</u>	<u>Self-Supporting or Portion Paid Directly By Benefited Municipalities</u>	<u>Net</u>
DIRECT DEBT:			
Building Authority (Jail)	\$ 1,850,000*	\$ -	\$ 1,850,000
Drain	275,000	275,000	-
General Obligation (Hospital)	<u>11,140,000</u>	<u>-</u>	<u>11,140,000</u>
Total	<u>\$ 13,265,000</u>	<u>\$ 275,000</u>	<u>\$ 12,990,000</u>

* As of December, 2004.

NOTE 2 - TABLES: (Continued)**I. DEBT STATEMENT (Continued)****OVERLAPPING DEBT:**

School Districts	\$ 60,793,061
Cities and Villages	4,360,000
Townships	588,000
Community Colleges and Intermediate School Districts	<u>146,531</u>

TOTAL OVERLAPPING DEBT \$ 65,887,592

NET DIRECT AND OVERLAPPING DEBT \$ 78,877,592

Source: Municipal Advisory Council of Michigan.

DEBT RATIOS:

Per Capita 2004 State Equalized Valuation	\$ 34,373
Per Capita 2004 True Cash Value	\$ 68,746
Per Capita Net Direct Debt	\$ 320.33
Per Capita Combined Net Direct and Overlapping Debt	\$ 1,945.05
Net Direct Debt and 2004 State Equalized Valuation	0.9323%
Percent Net Direct and Overlapping Debt of 2004 State Equalized Valuation	5.6587%
Percent of Net Direct Debt of 2004 True Cash Value	.4660%
Percent of Net Direct and Overlapping Debt of 2004 True Cash Value	2.8294%

NOTE 2 - TABLES: (Continued)**J. STATEMENT OF LEGAL DEBT MARGIN**

(As of January 1, 2004, including the Bonds described herein)

2004 State Equalized Valuation	\$ 1,393,931,479
Debt Limit (10% of State Equalized Valuation)	139,393,148
Amount of Outstanding Debt (See Debt Statement)	<u>13,265,000</u>
LEGAL DEBT MARGIN	<u>\$ 126,128,148</u>

DEBT HISTORY: There is no record of default.

FUTURE BONDING: The County does not anticipate future bonding in the immediate future.



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OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Members of the Mecosta County
Board of Commissioners
Big Rapids, MI 49307

We have audited the basic financial statements of the County of Mecosta, Michigan for the year ended December 31, 2004, and have issued our reports thereon dated April 6 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered County of Mecosta's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Mecosta's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Mecosta's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on County of Mecosta's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Mecosta's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Mecosta are described in Note 1 to the financial statements. We noted no transactions entered into by the County of Mecosta during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Mecosta County that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Mecosta's financial statements our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Mecosta's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

Delinquent Taxes Receivable – Prior Year

While substantiating the Delinquent Taxes Receivable at year-end, we noted immaterial differences between the account balance and tax roll detail. Management believes that the difference is due to adjustments that are posted to the tax system detail but not the general ledger and visa-versa. We recommend that management reconcile the general ledger to equal the tax system detail at year-end.

Friend of the Court – Prior Year

The Friend of the Court bank account was not reconciled at year end. During 2003, the State of Michigan assumed custodial responsibility for the child support monies; however, there are some monies remaining in the account. A reconciliation should be performed and the remaining monies remitted to the State of Michigan.

Disposal of Fixed Asset

No approval was noted in board minutes relating to disposal of fixed assets. We recommend that the board of commissioners approve the disposal of all fixed assets.

Conclusion

This information is intended solely for the information and use of the Board of Commissioners, management, federal and state awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson Tackman & Company, PLC
Certified Public Accountants

April 6, 2005